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Standing Committee on Finance and Economic Affairs

ONTARIO TRADE REVIEW, 1988

VOLUME 1

Report on the Canada-U.S.
Free Trade Agreement

1st Session, 34th Parliament
37 Elizabeth II



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Specializing Commission
on
Patents and Copyrights Affairs

GOVERNMENT PRINTING OFFICE: 1968



Report on the Commission
on Patents and Copyrights Affairs

For more information, see
the following pages



The Honourable Hugh Edighoffer, M.P.P.
Speaker of the Legislative Assembly

Sir,

Your Standing Committee on Finance and Economic Affairs
has the honour to present its Ontario Trade Review,
1988, Volume 1, Report on the Canada-U.S. Free Trade
Agreement and commends it to the House.

A handwritten signature in cursive script, reading "David R. Cooke".

David R. Cooke, M.P.P. (Kitchener)
Chairman

Queen's Park
October, 1988

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VOLUME I
TABLE OF CONTENTS
English

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VOLUME 1

TABLE OF CONTENTS

	<u>Page No.</u>
PREFACE	
INTRODUCTION	3
HISTORICAL PERSPECTIVE	5
INTERNATIONAL TRADE RELATIONS	9
ANALYSIS OF THE CANADA-U.S. FREE TRADE AGREEMENT	17
Federal-Provincial Context and General Implications	17
Canadian Identity	17
Political Sovereignty and Constitutional Issues	20
Trade Liberalization and International Relations	24
Business - Government Relations	27
Socio-Economic Factors	30
Labour and Employment	36
Environment	42
The Agreement	43
General Provisions	44
Agriculture	46
Wine and Distilled Spirits	51
Energy and Resources	54
Trade in Automotive Goods	58
Government Procurement	62
Services	64
Investment	66
Financial Services	69
Institutional Provisions and Binational Dispute Settlement	72
IMPLEMENTATION OF THE AGREEMENT	75
LIST OF RECOMMENDATIONS	78
TABLE 1 Canadian Merchandise Trade, 1980 and 1987	9
TABLE 2 United States Merchandise Trade, 1980 and 1987	10
TABLE 3 U.S. Countervail and Antidumping Investigations against Canada, 1980-1988	13
APPENDIX A: The Dissenting Opinion of Mr. Bob Mackenzie and Mr. Karl Morin-Strom	
APPENDIX B: The Dissenting Opinion of Mr. George McCague and Mr. Noble Villeneuve	
APPENDIX C: Terms of Reference	
APPENDIX D: List of Witnesses	
APPENDIX E: List of Exhibits	
APPENDIX F: Supplementary Report	

PREFACE

In January, 1988 the Standing Committee on Finance and Economic Affairs was directed by the Legislative Assembly of the Province of Ontario to consider and report on The Canada-U.S. Free Trade Agreement. This report, Volume 1 of the Ontario Trade Review 1988, is based on written briefs and extensive hearings held between December 1987 and June 1988. Written briefs were received from all sectors including business, unions, government and private citizens and were given due consideration during the hearings and in the preparation of this report. Volume 2 of the Ontario Trade Review 1988 is a report on the Committee's meetings with officials of the Organization for Economic Cooperation and Development, the European Community and the General Agreement on Tariffs and Trade.

The subject of Canada-U.S. bilateral trade has been studied intensively by committees of the Ontario Legislature. The Select Committee on Economic Affairs studied the options for bilateral trade between Canada and the U.S. and their implications for Ontario in its 1986 report, Ontario Trade Review. Later, the Standing Committee on Finance and Economic Affairs studied the general implications of bilateral free trade between Canada and the United States prior to the release of The Canada-U.S. Free Trade Agreement in December 1987. Both committees held meetings in Washington, D.C. with members of Congress, U.S. government officials, and Canadian Embassy officials. The members on these committees discussed the issues with experts in trade, legal and economic matters in an effort to define the potential consequences of a bilateral trade agreement between Canada and the United States. Following the release of The Canada-U.S. Free Trade Agreement, the Standing Committee on Finance and Economic Affairs was instructed to study the specific provisions of the Agreement and to assess the implications. To the best of its knowledge, it is the only legislative committee in either country to have held extensive public hearings after the publication of the final, legal text of the Agreement.

The members of the Standing Committee on Finance and Economic Affairs extend their appreciation to the witnesses who appeared at Queen's Park and to individuals and groups who contributed through written statements (Appendices D and E). Arguments were presented and debated representing numerous perspectives on the Agreement and the expertise conveyed in the hearings process resulted in a most valuable exchange and learning experience, for all concerned, in the consideration of The Canada-U.S. Free Trade Agreement.

The Standing Committee on Finance and Economic Affairs would like to acknowledge the assistance of several provincial ministries, the Clerk of the Committee, the staff of the Legislative Research Service, the Hansard Reporting Service and others in the preparation of this report.

INTRODUCTION

On January 2, 1988, the Prime Minister of Canada and the President of the United States signed The Canada-U.S. Free Trade Agreement. Canada and the U.S. had agreed in principle on the components to be included in a free trade agreement in the Elements of A Canada-United States Free Trade Agreement released in October 1987.

The legal text of The Canada-U.S. Free Trade Agreement is referred to in this report as the Agreement, with the understanding that it is a proposed bilateral agreement. While the Agreement has now been ratified by the U.S. Congress, it must still be ratified by the Canadian Parliament. In addition to federal government analysis of the document, numerous other governments, corporations, unions, interest groups and individuals have studied and analyzed the implications of the Agreement. The potential consequences of the Agreement are based on diverse philosophical arguments and the conclusions reached reflect the distinct perspectives. The acceptance or rejection of the Agreement by Canadians will have a major impact on the economy and indeed the Canadian way of life. Ontario has taken a particular interest in the proposed Agreement for a series of fundamental reasons which include federal-provincial relations, international trade and Canada's national responsibilities.

This report is the culmination of a long and detailed study of The Canada-U.S. Free Trade Agreement by the members of the Standing Committee on Finance and Economic Affairs which began in December 1987 and was completed in June 1988. The hearings which were the central focus in the Committee's consideration of the Agreement were initiated by advertisements requesting written briefs and the announcement that delegations would be invited to appear before the Committee. Seventy-two delegations appeared before the Committee and approximately 170 exhibits were filed, including exhibits submitted by the various delegations. These exhibits have been listed in Appendix E and summarized in a supplementary report in Appendix F ("Canada-U.S. Free Trade Hearings (December 1987 - June 1988): Summary of Briefs and Delegations"). This document should be accompanied by the original text of the written brief and/or Hansard for the purposes of further interpretation and analyses.

The interests and opinions expressed before the Committee represented a broad cross section of Ontario society which included interest groups and citizens from urban and rural areas in Northern and southern Ontario, professionals and laypeople in trade

related issues, academics, labour organizations, large and small businesses, the youth in Ontario, students and teachers. Furthermore, groups and individuals with specific interests in the areas of energy, the automobile sector, agriculture, alcoholic beverages, investment, cultural industries, services including the financial sector, and women's issues made representations. The report is an overview of the major arguments discussed. Some endorse the Agreement, while others oppose it. Many are of the opinion that more time is necessary to fully assess the Agreement. The debate has been spirited on all sides and there is agreement that the decision to either reject or accept a free trade agreement with the United States is a decision of fundamental importance to Canadians today and for future generations. Trading relations between Canada and the United States have reached such proportions that any dramatic shift in a new trading agreement could fundamentally alter not only the economy, but the Canadian identity and sovereignty.

This report essentially addresses three main topics. First a brief statement on the free trade debate in Canadian history, addressing national and provincial issues; and a contextual overview of Ontario's international trade profile with attention to multilateral trade interests including Ontario-U.S. trade patterns and finally the Committee's analysis of the articles of the Agreement with conclusions, which are noted in bold type. Recommendations based on the analysis and conclusions follow the body of the report.

The analysis of the Agreement is based essentially on general themes identified during the hearings and secondly, the specific sections of the legal text of the Agreement. The themes are broad in scope dealing with matters such as Canadian federalism and national sovereignty, which are fundamental subjects that transcend a single international agreement or piece of legislation. The report is based largely on the hearings process in that it addresses the various issues, concerns and conclusions put forth by delegations with direct references and quotations. Finally the members' observations and conclusions are discussed and related to their recommendations which reflect national as well as provincial perspectives.

The Committee is pleased to submit this report with the explanation that the recommendations indicate a consensus of members' opinions and are not necessarily based on unanimous agreement.

HISTORICAL PERSPECTIVE

Free trade between Canada and the U.S. has been a well debated subject in Canadian history, predating Confederation in the Reciprocity Treaty of 1854-1866. Canada-U.S. free trade has been an election issue several times, and is a central theme in Canadian political history. Generally the term free trade has been used to denote an agreement based principally on the elimination of tariff and non-tariff barriers between trading parties.

Historical reviews of the free trade negotiations between Canada and the U.S. after Confederation have repeatedly led to discussions of issues which have included protective tariffs, preferential customs duties, sovereignty, national identity and Canada's National Policy. The Auto Pact was signed in the mid 1960s. Recent interest in free trade dates from a 1982 report of the federal Standing Committee on Foreign Affairs. The Royal Commission on the Economic Union and Development Prospects for Canada, chaired by Donald S. Macdonald, supported the pursuit of Canada - U.S. free trade in its final report of August 1985.

The Royal Commission concluded that free trade would not be at odds with attempts to strengthen and improve the multilateral trading framework. Nevertheless, in its discussion of a new Canada-U.S. trade framework the Royal Commission noted several conditions relating to agriculture, services, culture, energy and natural resources. The Royal Commission was of the opinion that it may be appropriate to defer free trade for those agricultural products to which import quotas currently apply, until detailed agreements could be worked out concerning supply-management and subsidy policies. Secondly, the Commission expressed concern over the service sector and stated that while it may be desirable to establish some general rules applicable to all service sectors, such as a code for government procurement, it seemed clear that more detailed standards and the settlement of future disputes would have to be handled by specialized bilateral bodies responsible for particular service industries. The Commission acknowledged that the regulations for each sector are unique and that they would require sector specific consideration.

The Royal Commission was of the opinion that cultural activities would need special treatment under a general free trade agreement because of Canadian import protection and subsidies for cultural activities. Finally, in the energy and natural resource sectors the Royal Commission felt that there may be a need for

special rules to govern bilateral trade as such an agreement could constrain Canada's ability to impose production quotas, taxes and export controls to further national security and industrial policy objectives.

According to the Royal Commission interpretation of Article XXIV of the GATT, up to 20 percent of the total trade in goods among the members of a legitimate free trade area could be excluded from an agreement, such as trade in services, which is not covered by the GATT.

In the world trade arena, the establishment of the General Agreement on Tariffs and Trade (GATT) in 1947 had an impact on the ongoing Canada - U.S. free trade debate. The GATT was a promising new forum in which U.S. tariffs were reduced and Canada was able to enhance its access to the U.S. market. Some are of the opinion that the reduction of tariffs has undermined such Canadian industries as the manufacturing of farm implements. The multilateral approach to trade policy has been effective in achieving a steady reduction of tariffs between Canada and the U.S. in rounds of negotiations following the creation of the GATT. Canada has been involved in 12 GATT panel disputes during 1979-1988 with countries including Japan and the U.S. and also the European Community (EC). The most recent cases involving Canada include the EC complaint in 1985 about the distribution and sale of alcoholic beverages by provincial agencies in Canada; the 1987 complaint by the U.S. over Canadian restrictions on exports of unprocessed salmon and herring; and in 1987 the Canadian complaint about Japanese tariffs on lumber.

In the early 1980s, the governments of Canada and the United States pursued negotiations in the area of sectoral free trade in several areas. These trade meetings in areas such as mass transportation, equipment and steel did not result in an agreement.

In 1985, the Government of Canada decided to proceed into negotiations with the United States for a comprehensive trade agreement. The primary objectives in the negotiations included the protection of existing Canadian jobs and the promotion of new employment opportunities. The decision to proceed with the negotiations was significantly influenced by concerns over U.S. protectionism and also the need to enhance Canadian international competitiveness through the restructuring of the Canadian economy. The main focus of the negotiations was largely to secure and enhance market access in the U.S. for Canadian exports, through new provisions which would include a dispute settlement mechanism.

The federal government initiated a consultative program in 1985 through the discussion paper, "How to Secure and Enhance Canadian Access to Markets." The objective was to meet with Canadians in open public meetings, as well as with union, business and government officials from across the country. It was recognized by federal officials that the Ontario response was cautious. Ontario's concerns according to the federal reports included the matters of interprovincial trade barriers; the extent to which industry would be able to compete taking into account the differences in the Canadian scale of operations; foreign ownership; labour costs; import surges; disinvestment in Canadian industry; and policy harmonization in the social and economic areas.

The Government of Ontario has taken the opportunity to respond to the Canada - U.S. trade negotiations on numerous occasions. At the 1985 Annual First Ministers' Conference at Halifax, the Province released a background paper discussing the impact of complete tariff removal on trade sensitive industries, adjustment assistance requirements and direct employment effects. Studies were prepared by the Government of Ontario in 1986. Topics covered included dispute settlement mechanisms and the implications of national treatment in a free trade agreement.

The all-party Select Committee on Economic Affairs tabled its Interim Report in 1985 after holding hearings from July through October 1985. In 1986 the Committee completed its review of the options for bilateral trade between Canada and the United States and the implications for Ontario in its final report, Ontario Trade Review. The members defended the continuance of the rights of the federal and provincial governments to legislate and regulate economic activity for the protection and common benefit of all Canadians and that the provincial governments of Canada should have full and complete consultation and participation in any bilateral trade negotiations and play a meaningful role in any dispute resolution mechanism. Furthermore, the Committee concluded that a clear process for the ratification of a bilateral trade agreement should be established to avoid the possibility of constitutional difficulties by ensuring full and open discussion, and the need for national and provincial consensus, on the terms of any bilateral trade agreement. The Standing Committee on Finance and Economic Affairs is of the opinion that the Agreement would have a fundamental impact on Canada and that individual Canadians have not yet had the opportunity to express their views.

The Committee welcomes the federal government's decision to call an election to allow Canadians to thoroughly debate and evaluate the free trade proposal, as it was the opinion of the majority of members of the Committee that an election should precede the implementation of the Agreement.

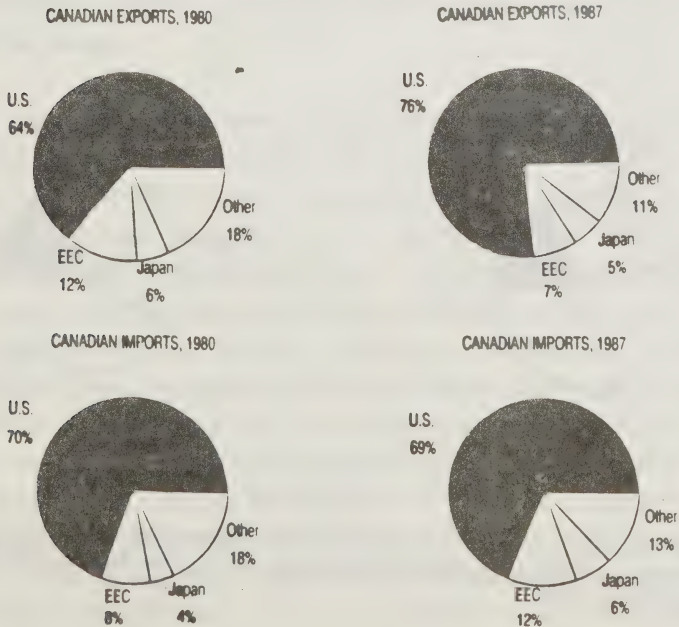
Subsequent to the release of the Elements of A Canada-United States Free Trade Agreement and The Canada-U.S. Free Trade Agreement, the Government of Ontario responded through several documents which included studies of the potential impact of tariff reductions on Ontario manufacturing industries and a constitutional legal analysis of the implications of the Agreement. In 1987 the Government of Ontario established a Cabinet sub-committee, holding hearings to give the residents of Ontario an opportunity to inform the Government of their views on free trade. These reports have offered valuable background materials for the evaluation of the Agreement by the Standing Committee on Finance and Economic Affairs.

INTERNATIONAL TRADE RELATIONS

Historically, international trade has been the critical ingredient to the Canadian economy. This trade has been world-wide in scope, initially with Great Britain, and in this century Canada-United States and particularly Ontario-United States trade has become the dominant trade partnership. During the past decade it has been suggested that Canada and the United States have developed the largest and the most complex open two-way trade in the world respecting multilateral responsibilities under the GATT, with reportedly 80 percent of the trade conducted on a tariff-free basis.

Canadian exports have increased steadily since 1970 and during this period imports have grown progressively with the exception of a period in the early 1980s. Canada's exports to the United States have increased noticeably during the 1980s, clearly dominating its exports in goods and services. Canadian imports are primarily from the United States. The importance of the U.S. market to Canadian employment has been clearly substantiated in a well established trading relationship in both goods and services. The following figures demonstrate Canadian merchandise exports and imports, on a percentage basis, for 1980 and 1987.

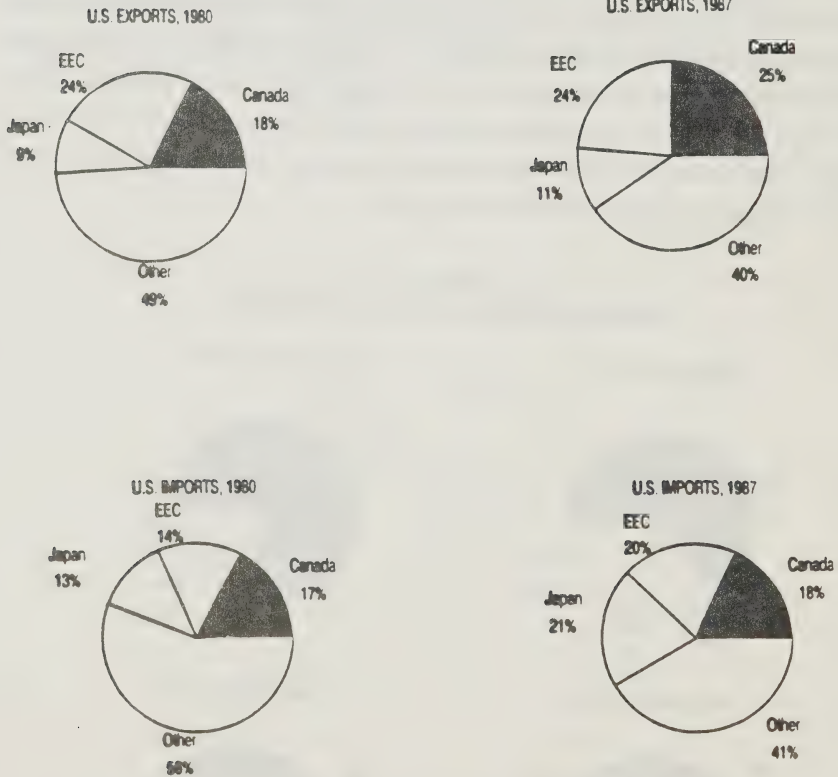
Table 1
Canadian Merchandise Trade, 1980 and 1987



Source: Canada, Statistics Canada, Quarterly estimates of the Canadian balance of international payments Cat. No. 67-001 (Ottawa: Statistics Canada, fourth quarter 1987).

Understandably the Canadian dependence on the U.S. market is not a proportionately reciprocal relationship, that is U.S. exports in goods to Canada represent a substantially smaller percentage of the total U.S. export market. Nevertheless, Canada has traditionally been the major supplier of U.S. imports, but in 1987 U.S. imports from Japan led those of Canada. The following figures demonstrate U.S. merchandise exports and imports, on a percentage basis, for 1980 and 1987.

Table 2
United States Merchandise Trade, 1980 and 1987



Source: United States, Department of Commerce, Bureau of Economic Analysis, Survey of Current Business (Washington, D.C.: The Bureau, March 1981 and March 1988).

Following the Second World War, the creation of the General Agreement on Tariffs and Trade became the new basis for a major expansion of world trade. Trade liberalization under the GATT has mainly taken the form of successive tariff cuts. While the size of these reductions is hard to measure precisely, crude comparisons estimate that by the Tokyo Round in 1973-79, tariffs in manufactured goods had been reduced as a result of GATT negotiations by about 60% for Canada, the U.S. and the European Community, and by about 50% for Japan. Following the Tokyo Round, the average Canadian tariff was further reduced from approximately 15% to 9%-10%. Similarly over the same period the average U.S. tariff was reduced from 8%-9% to 4%-5%.

The world trading environment has become increasingly competitive as witnessed in regional trading blocs and non-tariff protection measures. Trends toward discriminatory reciprocity coupled with protective national industrial policies have challenged the original GATT objectives in recent years. Foreign trade has been countered with protectionist measures to counter the possibility of job losses. The support for multilateralism is critical to the survival of the GATT and Canadian trading traditions. Essentially the principle of multilateralism requires a reduction of protection by a given country to all participants, which is commonly referred to as the most-favoured-nation principle, and tariff reductions to eliminate any differentials. Free trade is similarly based on tariff elimination. The possibility that a free trade area could lead to economic integration has been an issue in all free trade initiatives in Canadian history.

Current concerns in international trade relations include the use of subsidies and countervailing measures which are duties that countries can, under what they consider to be appropriate circumstances, impose on imports to neutralize any advantage an exporter may enjoy as a result of subsidies. Under Articles VI (Anti-dumping and Countervailing Duties) and XVI (Subsidies) of the GATT, governments commit to ensuring that the use of subsidies by them does not harm the trading interests of another signatory, and that the countervailing measures do not unjustifiably impede international trade. The Subsidies Code provides a mechanism for international surveillance and dispute settlement governing the use of subsidies and countervailing duties. Contracting parties to the Code are required to provide regular details to the GATT of their subsidies, as well as their legislation relating to countervailing duty procedures. The lack of definition of a subsidy and interpretive difficulties with the Subsidies Code are major problems according to the GATT. As a result the GATT has found it to be very difficult to reach conclusions in some dispute cases.

Ontario's prominence in international trade is recognized within Canada and the United States and trade statistics historically have confirmed Ontario's national leadership role in exports and imports. The provincial economy's dependence on the U.S. market has meant that fluctuations in the U.S. economy can affect the health of the Ontario economy. The automotive sector comprises a major component of this trade, which includes motor vehicles and automotive parts. In addition, metals, forest products, agricultural products, industrial machinery, as well as iron and steel products reflect the diversity and the strength of Ontario's economic base. The U.S. market in the Great Lakes states region continues to be the major destination for Ontario exports. U.S. products have accounted for approximately 80 percent of goods entering Ontario from abroad and Ontario has been among the best customers of American manufactured products. The importance of the Ontario-U.S. trade relationship is recognized taking into account U.S. countervail and antidumping investigations against Canada. Canada is ranked as one of the most important markets for U.S. exports. The U.S. market continues to be the main component in Ontario's international trade as the Province explores and expands its trade opportunities in Europe and elsewhere.

The U.S. Omnibus Trade Bill has been a major concern to the federal government in recent years partly because of potential protectionist provisions in the legislation. This legislation was viewed by some as another complication in the progressive deterioration of Canada-U.S. trade relations which has been demonstrated in increasing trade actions. The major problem areas to date have been steel, copper, sugar products, asbestos, salt cod and softwood lumber. Trade disagreements are major irritants for exporters because of the possible loss of market share in the U.S. and ultimately unemployment in Canada. U.S. countervail and antidumping investigations against Canada since 1980 are illustrated in Table 3.

Table 3

**U.S. COUNTERVAIL AND ANTIDUMPING INVESTIGATIONS
AGAINST CANADA, 1980-1988**

Product	Date Initiated	Date Completed	Final Disposition
COUNTERVAILING DUTY =====			
Frozen potato products	1980	1980	No action
Unprepared fish	1980	1980	No action
Potassium chloride	1980	1980	No action
Hard smoked herring and fillets	1981	1981	No action
Certain rail passenger cars (Bombardier)	1982	1982	No action
Softwood lumber	1982	1983	No action
Hogs and pork	1984	July 1985	Hogs: action (CVD) Pork: no action
Raspberries	Aug. 1985	Jan. 1986	Action (Can. agreement)
Fresh Atlantic groundfish	Aug. 1985	May 1986	Action (CVD order)
Oil country tubular goods	July 1985	June 1986	Action (CVD order)
Softwood lumber	June 1986	Jan. 1987	Action (MoU)
Fresh cut flowers	May 1986	Jan. 1987	Standard: action (CVD) Miniature: no action
ANTIDUMPING =====			
Asphalt roofing shingles	1981	1981	No action
Canned clams	1981	1981	No action
Sugars and syrups	1982	1982	Action (AD order)
- reviewed 1987			- AD partially revoked
Sheet piling	1981	1982	Action (Can. agreement)
Chlorine	1982	1982	No action
Frozen french fries	1982	1982	No action
Certain fresh potatoes	1983	1983	No action
Choline chloride	1984	1984	Action (AD order)
Raspberries	July 1984	June 1985	Action (AD order)
Salted cod fish	July 1984	July 1985	Action (AD order)
Egg filler flats	Aug. 1984		No action
Rock salt	Jan. 1985		No action
Rectangular steel tubes and pipes	April 1985	March 1986	No action
Iron construction casting	May 1985	Oct. 1985	Action (AD order)
Oil country tubular goods	Aug. 1985	April 1986	Action (AD order)
Brass sheet and strip	1986	Jan. 1987	Action (AD order)
Fresh cut flowers	May 1986	Sept. 1987	Action (AD order)
Colour picture tubes	Nov. 1986	Jan. 1988	Action (AD order)
Potassium chloride	March 1987	Jan. 1988	Action (Can. agreement)
Welded carbon steel API line pipe	Feb. 1987	April 1987	No action
Fabricated struct. steel	Feb. 1988	March 1988	No action

Source: Government of Ontario, 'The Question of Secure U.S. Market Access in the Canada-U.S. Free Trade Agreement,' Background Paper, May 1988, Appendix B; and U.S. Federal Register.

The Canadian Ambassador to the U.S. criticized aspects of the early version of the Omnibus Trade Bill by stating in his letter of March 1, 1988 that a number of the proposals currently contained in the Omnibus Trade Bill would be wholly contrary to the mutual objectives of ensuring a stable and predictable trading environment for the continued growth of (Canada-U.S.) bilateral trade. The Ambassador emphasized the importance of consistency in the objective and purpose of the free trade Agreement and also the U.S. obligations under the GATT. The federal government feels that many of the matters discussed in March 1988 have been addressed although there are still concerns in Canada with the Omnibus Trade Bill passed in August 1988, entitled the Omnibus Trade and Competitiveness Act of 1988. Some are of the opinion that this legislation would result in a protectionist trade policy while others feel that there is sufficient discretion to use the legislation in a non-protectionist manner. These trade irritants have continued during the free trade negotiations, for example, in textiles. The textile and clothing industries have been described by the federal government as being vitally important to the Canadian economy and particularly Canada's manufacturing workforce. In March 1988 the federal government announced a plan which was to provide \$63 million worth of tariff cuts and duty rebates for certain fabrics and garments. Originally Canadian clothing makers had suggested a \$200 million program to assist the industry to compete internationally and the federal government initially supported this position in the negotiations. The \$63 million initiative has been criticized as it appears to compromise the position of Canadian fabric makers in some instances and appears to favour the U.S. The U.S. Congress is now considering a bill which would restrict textile and clothing imports from Canada.

The Report of the House of Commons Standing Committee on External Affairs and International Trade, on the Elements of the Agreement, tabled in December 1987, noted that Canada did not receive an exemption from the original version of the Omnibus Trade Bill. This federal committee recommended that the Canadian government should withdraw its consent from the Agreement unless Canada is formally exempted from the application of this U.S. legislation. In the opinion of the federal committee, passage of the bill without the exemption of Canada would be contrary to the Standstill provision of the Agreement. The Omnibus Trade and Competitiveness Act of 1988 in fact does not exempt Canada. Members of the Committee expressed concern over the degree of compatibility between the Agreement and the Omnibus Trade and Competitiveness Act of 1988. There is apprehension that the Omnibus Trade and Competitiveness Act of 1988 could be used against Canada in a number of areas. Some of Canada's concerns could include

the provisions on telecommunications, foreign steel, antidumping rules, anti-subsidy laws, and the definition of illegal foreign subsidies. An assessment by the Department of External Affairs on May 5, 1988 noted that some provisions, if applied to Canada, would be inconsistent with the GATT and the Agreement.

The Committee has concluded that the Agreement fails to provide any meaningful exemption from the U.S. Omnibus Trade and Competitiveness Act of 1988 provisions, which strengthen the ability of U.S. industries to launch trade actions against Canada under a range of trade laws, including antidumping and countervailing duty laws. This represents a clear violation of the Standstill provisions of the Agreement.

In recent years, business-government consultations have helped to identify changes in the global economy. They have led to a close scrutiny of former practices in an effort to develop meaningful economic policy for the next two decades and to develop an awareness that the status quo may not be adequate either to maintain current standards or to expand and explore new opportunities on a world-wide scale. Canada's major trading partner in the 1800s was Great Britain, and in the twentieth century it has become the United States. As the U.S. economy evolves, the implications for the current Canada-U.S. trading relationship would be difficult to anticipate. It has been suggested that the shift to an economy which is centered on information and knowledge could have a dramatic impact on the trading partners. The creation of new jobs in the southern regions of the U.S. could hurt the economy of the Great Lakes "rust belt". As the U.S. adjusts and restructures itself in the twenty-first century, the large exporters into the U.S., most notably Canada, will be affected. Canada's trade, with the exception of the Auto Pact, has been largely in raw materials and not manufactured products. Mass-produced goods are available from other countries which have the benefit of low cost labour. Business and government are cognizant of the changes that are taking place in the economic restructuring of the global economies and the challenges to develop new policies which will be beneficial to business and labour in the future. There is a critical need to develop a competitive economy which can retain effectively the present market share and develop new markets domestically and internationally.

The Government of Ontario has recently begun to address the need to restructure Ontario industry in an effort to promote the export of higher value-added manufacturing products to countries throughout the world in addition to basic commodities. As well as the indigenous multinationals, it is suggested that the medium-sized Ontario firms should be encouraged to pursue the diverse international market. The industrial restructuring will be characterized by products with a higher value-added component which requires more expertise. This process will recognize the value of the established manufacturing in the auto and steel industries which are confronted by challenges for market share in an increasingly competitive international market. Ontario's challenge is to renew the provincial economy through indigenous multinational manufacturing firms rather than branch plants. This new corporate base will focus on high growth and specialized products which will have to be competitive domestically and internationally, while at the same time respecting the role of the established mature industries in the provincial economic structure and the important Ontario-U.S. trade partnership.

As Canada makes efforts to reduce tariff and non-tariff barriers to trade internationally and to expand its market share with other nations, consideration to reducing interprovincial impediments to trade, such as domestic regulations will be important.

ANALYSIS OF THE CANADA-U.S. FREE TRADE AGREEMENT

The analysis of the Agreement is comprised of two main sections: the federal-provincial context and general implications, and secondly, the articles of the legal text. Throughout the hearings several perspectives were evident in the interpretation and evaluation of the Agreement which included discussions of economic analyses, political sovereignty, business-government relations and the Canadian identity. These are addressed at the outset followed by specific references to the articles of the Agreement.

Federal-Provincial Context and General Implications

Canadian Identity

Canada has evolved from colonial status to national independence in a tradition of self-government. Canada's membership in an empire and later the Commonwealth is distinct from the American historical experience. Distinct differences between these countries have not allowed the union of Canada with the United States in political and economic terms. In spite of the world prominence of the U.S. both as a military and economic power into the 1980s, the mutual respect for each other, strong political traditions and sense of independence have helped to maintain the friendship without a need for closer association.

The character of nationhood is defined by history. In this century and the next the importance of Canadian-American relations will continue to be intensively assessed given the growing interdependence of the relationship on many levels. The Canadian character is defined in part by its international image, but first by political values, national symbols and beliefs. Culture is a critically important component of a country's national identity and given the Canadian cultural mosaic it is very difficult to collectively define a single national character in an ethnically and geographically diverse people dispersed across many regions. The institutions and norms which have developed since Confederation have helped to define the Canadian political identity. Many Canadians have come to view the United States as an important neighbour in a free association, mutually respecting each other's sovereignty and independence in political terms while acknowledging the strong economic linkages which have developed between the countries during this century.

The Agreement basically exempts cultural industries with related exceptions which include tariffs on cultural industry products, the sale of firms in the cultural sector, copyright protection in program broadcast retransmission, and advertising expense deduction provisions. Members of the Committee have emphasized very strongly that Canadian culture is not limited to the economic term "cultural industry." A nation's culture and identity cannot be represented totally in commercial endeavours. Article 2005(2), Cultural Industries, would permit either party to take measures of equivalent commercial effect in response to actions that would have been inconsistent with the Agreement but for 2005(1). This article could be the basis for action against government assistance of direct subsidies. Whereas the Agreement appears to permit government programs to assist cultural industries, several issues were raised, particularly the retaliation clause which could be the target of a U.S. unfair trading practices case.

Numerous witnesses addressed the issue of national identity and the importance of recognizing the possible implications of the Agreement.

The Honourable Mitchell Sharp stated his support for freer trade for Canada, but concluded that he has serious misgivings over the proposed Agreement. He is of the opinion that all countries are becoming increasingly interdependent and that within the free trade area there would be pressure to bring Canadian laws and customs into line with those of the United States. The Canadian identity and distinctiveness are already under pressure according to Mr. Sharp and the Agreement would further erode them regardless of any negotiated exemptions for cultural activities and industries.

The Retail Council of Canada supports the Agreement largely because of the economic consequences which the Council believes will result in a reduction in prices and increased employment. According to the Council's submission, a flourishing culture is dependent on economic surplus which allows the population to become involved in cultural activities. Improved and more secure trade with the U.S. would not restrict an industry which promotes the creative talents and artistic abilities in Canada.

The Ministry of Culture and Communications expressed concern over the apparent lack of understanding of terms such as cultural industries and cultural identity and sovereignty in the American film industry. The negotiations over the Agreement were generally acceptable to the Ministry with some reservations, such as the retransmission issue. The officials stressed the importance of and respect for

Canada's international broker role in the arts which some feel has been compromised by the Agreement. A further point of concern is the matter of direct acquisition or indirect takeover of a cultural industry and whether in practice the firm can be protected from the problem of foreign ownership within the guidelines of the Agreement.

The Canadian Auto Workers (CAW) is of the opinion that the proposed Agreement should be defeated in order to prevent the economic integration of Canada with the United States, which in the CAW's view would limit Canada's future alternatives. Their focus is largely on the development of an independent Canada. Article 2005 of the Agreement, which permits retaliation if Canadian cultural policies affect U.S. commercial interests, is a central issue in the CAW's national identity and cultural concerns.

The Association of Canadian Publishers (ACP) emphasized the importance of disavowing the U.S. of holding veto power over Canadian cultural policies now and in the future. The ACP is of the opinion that the government should not be obstructed from pursuing new policies to strengthen Canadian cultural industries. The relationship between writers, artists and the government should not, in their opinion, be restricted by the U.S.

Finally, the Alliance for the Future of Young Canadians, representing one perspective of the youth of Canada, addressed the Committee. In their opinion the Agreement is a vote of confidence in young Canadians, and it can be seen to speak to the identity of young Canadians in support of free trade in an internationally competitive nation.

Committee members expressed their concerns about issues relating to Canadian identity and cultural issues. In particular, the retaliation provision in Article 2005 which addresses the exemption of cultural industries raised concerns about the longer term repercussions. The matters of improved access to as well as the impact of the U.S. market were discussed in relation to potential costs and benefits. Finally, the issue of cultural identity was pursued and members generally recognized the importance of promoting and protecting the national identity particularly in the artistic and cultural communities in Canada.

The Committee has concluded that the Canadian cultural industries have not been adequately protected. Considerable uncertainty remains as a result of Article 2005 which appears to permit retaliation if Canadian cultural policies affect U.S. commercial interests.

Political Sovereignty and Constitutional Issues

The concept of political sovereignty and the consequences of an international agreement on the Canadian constitution and more generally federal-provincial relations has been at the centre of the discussions on The Canada-U.S. Free Trade Agreement. Sovereignty applies to both external affairs as well as domestic matters and commonly refers to final authority to determine the affairs of state. Internationally, a nation-state's sovereignty is tempered by international treaties and other agreements which entail obligations to countries, and international bodies and associations. These commitments, to varying degrees, compromise a nation's sovereignty to the extent that the international community restricts a national government from conducting its affairs of state completely independently from foreign interference by other states. The interdependence of nation-states in both the political and economic spheres has progressively compromised national sovereignty generally. It is difficult if not impossible to quantify the implications and the sense of a loss of sovereignty by a people, but it has been recognized in Canada on the economic level that the integration through multinationals and the loss of independence to foreign investment imposes very real limits. Of great concern is the extent to which a foreign country restricts or limits the independence of legislators to set policy and implement programs. The U.S. influence is felt in Canada, to varying degrees, through U.S. fiscal and budgetary policies, industrial strategies, environmental policies and consumer products. U.S. actions in interest rates, ownership of industry, foreign investment and pollution emission standards have a direct impact on Canadians.

The federal-provincial constitutional arrangements in each federal state are often unique with each country distinguishing between the various levels of government in jurisdiction and through the allocation of powers and authority. The division of powers between the federal and provincial governments in Canada has led to conflicts over jurisdictional boundaries and the lines of authority have been clarified by the Canadian Supreme Court in areas of dissent.

The argument has been made both for and against the idea that the Agreement compromises Canadian sovereignty. This has been studied by constitutional experts, some of whom have appeared before the Committee.

In addition to the specific sectoral provisions, the Agreement could have implications on Canadian federalism and the Constitution, which would become evident in the enforcement provisions. Furthermore, the general obligations in the following terms of the Agreement have long-term consequences - national treatment, discrimination, technical standards, monopolies, subsidies, nullification and impairment.

An analysis of these provisions by the Ontario Attorney General concludes that the Agreement will significantly affect the ability of the provinces of Canada to shape their economic and social policies; it reduces the capacity of the provinces to govern and gives the Canadian federal government important new roles in influencing provincial policies. The constitutional dimension, according to the report, lies in the shift of power away from the provinces. At issue then are the consequences of the Agreement on the provinces, in terms of program changes and also the limitations imposed on any future programs which the provinces wish to implement. These concerns are sufficiently general, nevertheless, Canadians may wish to question new laws, programs or treaties which may alter the status quo and which could extend or restrict a sense of national sovereignty. Any constitutional challenge to the provinces which would realign powers would require a response either endorsing or condemning such a proposed change. The possibility of U.S. retaliation against provincial decisions in the future and any limitations imposed on the provinces which could undermine their ability to exercise their constitutional rights would be a significant departure. The Province of Ontario has recently introduced legislation in areas of provincial interest, including water transfers, the sale of hydroelectric power, the licensing of private health clinics and the restructuring of vineyards.

The Standing Senate Committee on Foreign Affairs' Fourteenth Report entitled "Constitutional Jurisdiction pertaining to the Free Trade Agreement" of May 4, 1988, reserves its final conclusions in the absence of the actual implementing legislation and detailed examination, to determine the specific impact on provincial policies. Nevertheless, the analysis does state that the federal legislation to implement the Agreement would infringe in provincial jurisdiction if it went beyond eliminating barriers to trade and specified how provincial jurisdiction is to be exercised.

The witnesses before the Committee represented diverse opinions on the issues of political sovereignty and the constitutional dimensions of the Agreement.

The United Steel Workers of America (District 6) expressed the view that the absence of an acceptable ratification process for the Agreement in Canada is an insult to the democratic process. Furthermore, their submission suggests that the Agreement is much more than a trade agreement as it extends beyond Canadian tariffs and U.S. trade law to encompass the public policy process and Canada's independence in setting economic policy. The opinion was expressed that the possible negative impact on political sovereignty has not been fully disclosed.

The Canadian Printing Industries Association views free trade as a challenge for entrepreneurs in an industry that relies heavily on a viable Canadian publishing industry. Sovereignty, printing and publishing are often closely associated and this industry recognizes the importance of a favourable exchange rate in the past in conjunction with the need to be increasingly more competitive. The industry acknowledges the costs, possibly to literary independence and sovereignty, but it is encouraged and challenged by the need to modernize and rationalize in a competitive international market.

The Ontario Coalition of Senior Citizens' Organizations (OCSCO) is concerned that the Agreement will fundamentally change the social and economic fabric of the country through further U.S. encroachment in areas such as health care. The Coalition is opposed to any agreement that may lead to an unregulated free market system. OCSCO concluded that the Agreement will not preserve the integrity of Canada's economic and political sovereignty.

At the outset of the Committee's hearings, Professor Peter Russell of the University of Toronto discussed the sovereignty issue and stated that it would be an unconscionable interference in Canadian affairs for the United States to tell any Canadian jurisdiction what it ought to be doing about Canadian relationships between federal and provincial governments. With respect to the federal system of government, Professor Russell is of the opinion that in all federations which he has studied, which include the U.S., Canada and Australia, international trade and commerce and particularly the level of protection afforded domestic industry is a national responsibility.

Finally, Dr. H. Scott Fairley, a constitutional lawyer and professor of law, addressed basic constitutional principles and provisions of the Agreement. The particular jurisdictional reference points, according to Dr. Fairley, which seem to be the most

pertinent are on the federal side since this is an agreement dealing with trade and the regulation of trade and commerce. He elaborated stating that it is purportedly an exclusive federal field under subsection 91(2) of the Constitution Act, 1867 and perhaps more broadly, but certainly more tentatively, the general power of the Dominion to enact laws for the peace, order and good government of the nation. Dr. Fairley acknowledged the provincial spheres of property and civil rights which include local business, regulation of local trade and single industries in the form of a broad jurisdictional mandate, carved out of federal areas. Both parties are bound by any agreement and there is not a requirement for the federal government in Canada to consult with the provinces. According to Dr. Fairley the cooperative nature of federal-provincial relations is at risk if the federal government proceeds without provincial consultation.

The members of the Committee pursued numerous aspects of the complexities relating to political sovereignty and constitutional jurisdiction. Members were very concerned about protecting the integrity of federal-provincial relations, Canadian sovereignty and national identity both in North America and worldwide. Canadians are widely respected internationally for their independence and principles and stands on such matters as international assistance, political associations in the Commonwealth and commitments to agreements such as the GATT. The constitutional implications of the Agreement have brought members to scrutinize closely the legal and political implications for the provinces. Several areas of concern include the extent to which the constitutional rights of the provinces could be compromised, the long-term international consequences for Canada and whether or not this is the will and in the best interests of all Canadians. The Agreement negatively affects the ability of the provinces to establish economic and social policies and in giving the federal government of the United States a role in influencing provincial affairs, compromises the provinces' capacity to govern and alters Canadian federal-provincial relations.

The Committee has concluded that, as stated by the Attorney General of Ontario, the Agreement "will fundamentally alter the established dynamic and workings of Canadian federalism" by altering the basic constitutional relationship in this country. Article 103 is unprecedented in federal-provincial negotiations for free trade agreements. In effect the federal government has usurped provincial powers

by allowing the United States to have powers of retaliation should we, in a democratic manner, choose to maintain or preserve our standard of care in many service industries, in energy, resources, investment and culture.

The Committee has concluded that the Government of Canada should uphold the tradition of co-operative federalism in the development of all international agreements which may impact upon the jurisdiction or interests of the Canadian provinces. This requires that the Government of Canada respect the legal and historical rights of the Canadian provinces and that meaningful consultation occur among levels of government in the development of national policies.

One of the federal government's primary objectives in the negotiations was to secure access to the United States' market through several avenues which would clearly have significant implications for the Canadian provinces. In pursuit of this objective the Committee has identified some major concessions with respect to sovereignty as outlined by several delegations and provincial reports.

The Committee has concluded that the implementation of the Agreement would lessen Canada's ability to achieve secure access to the U.S. market in the future. Canada's ability to negotiate new subsidy, countervail and antidumping rules and procedures in the future would be weakened by virtue of the continued threat of U.S. trade actions and as a result of the U.S. having already realized its major objectives in the free trade negotiations through the concessions Canada had made in the energy, investment, automotive and other provisions of the Agreement.

Trade Liberalization and International Relations

The growing international interdependence of all countries, not only in trade, continues to challenge Canadians to enhance exports in a competitive trading environment and more generally in international relations including treaty responsibilities. As discussed earlier, the Canadian identity and sense of political sovereignty are being subjected to new pressures and expectations. The commitment to trade liberalization has demonstrated a new Canadian dimension and responsibility which inevitably will continue to strengthen Canada's international profile in trade under the GATT.

During the free trade hearings, Committee members expressed concern over the potential implications of The Canada-U.S. Free Trade Agreement on Canada's ability to independently pursue trade with countries throughout the world while not abandoning its existing trading partners who are members of the General Agreement on Tariffs and Trade. Canada has endorsed liberalized trade and it has prospered by encouraging this approach to world trade. At the centre of the debate is whether Canada's international profile will be enhanced or damaged through free trade with the U.S.

Cooperation on a federal-provincial basis is an essential ingredient to enhance international trade. The fact that agreements such as the GATT and The Canada-U.S. Free Trade Agreement are signed by the federal government could strain these intergovernmental relations. Provincial as well as national needs should be taken into account when negotiating international agreements and it would be expected that the provinces would be consulted by the federal government to ensure the success of such initiatives. International agreements are based on shared responsibilities as provincial and federal governments have had to recognize and respect the objectives of nation-building and provincial growth and development within their respective spheres.

In recent years delegates to the GATT have expressed concern about the existing trading rules. Bilateral, discriminatory and restrictive agreements have been a concern because member countries are not furthering the objective of trade liberalization. Non-tariff barriers and subsidy disagreements have come to present a challenge to this agreement. The Committee strongly endorses the Uruguay Round of the GATT particularly in light of the current circumstances associated with regional trading blocs and managed trade. Canada's pursuit of a separate bilateral free trade agreement is viewed by some to challenge its commitment to multilateralism.

The GATT rules permit countries to establish free trade agreements among nations which recognize, according to Article XXIV of the GATT, that the purpose of a free trade area should be to facilitate trade between the constituent territories and not to raise barriers to the trade of other contracting parties with such territories.

In summary, Canadians have historically strongly supported the GATT, the International Monetary Fund (IMF), and multilateral economic organizations and any free trade treaty is expected to comply with the GATT articles. The recent

acceptance of controversial GATT rulings on west coast salmon and provincial liquor board practices reaffirms Canada's and Ontario's commitment to multilateralism.

Witnesses before the Committee and written submissions generally endorsed the continued Canadian leadership role in multilateralism as defined in the GATT. The Honourable Mitchell Sharp explained his personal involvement in promoting the various rounds of negotiations under the GATT and went on to describe Canada's enviable position in terms of economic growth which he concludes is attributable to following non-discriminatory, multilateral trading and negotiating principles. According to his analysis, Canada has gone a long way without preferential treatment in the United States, and the Americans may turn to protectionist policies in the future, thereby threatening Canadian imports.

The Business Council on National Issues (BCNI) believes that the Agreement is in Canada's best interest internationally as it would serve as a model and a catalyst for trade liberalization initiatives on a global basis. BCNI feels that the Agreement supports Canadian trade goals which include the gradual dismantling of barriers to trade at both the bilateral and multilateral level. The BCNI endorses the Agreement as it is consistent with the GATT and further strengthens multilateral trade liberalization.

The Ontario Federation of Labour (OFL) expressed concern about the consequences of the Agreement in the international arena. The OFL concluded that Canada would be viewed as a junior partner in all negotiations concerning economic life, initially in the GATT and over time in most other areas.

Members of the Committee have considered the possible impact that the Agreement may have on Canada's membership in the GATT and the possible ramifications that it may have on Canada's image internationally. Essentially the positions considered were that the Agreement would indicate the ability and willingness of two major trading partners to reach a mutual agreement on a trade agenda broader in scope than that of the GATT and, from another perspective, that the current free trade negotiations could have a negative impact on Canada's negotiating position in the Uruguay Round of the GATT, currently in progress in Geneva. The concern has been expressed that any new international trade agreements should not be seen to prevent Canada from resolving trade disputes through the GATT and that Canada's privileges and responsibilities as a member of the GATT should be maintained.

Furthermore, Committee members were concerned about Canada's international image of appearing to be progressively tied closer to the U.S. when some are of the opinion that the U.S. economy is diverging from that of Canada's and that the U.S. will be less dependent in the near future on Canadian manufactured goods. The perception of Canadian dependence on the U.S. could be sending a less than positive message to Canada's international trading partners.

Business - Government Relations

Federal and provincial governments in Canada have a major involvement in the business sector, and any new international agreement on the scale of The Canada-U.S. Trade Agreement could have a fundamental impact on the way in which the Canadian business sector operates for many years into the future. Government regulations, standards and guidelines impose new responsibilities, benefits and costs on business which require a transitional adjustment period. It is assumed that business is resilient and able to adapt to new challenges, expanding and generating new employment and business opportunities. Business-government relations are particularly important as it is necessary to recognize the need for consultation and cooperation between the representatives of each sector.

Analyses of business-government relations identify scenarios in which business and government are in disagreement on policies and government decisions prevail and, secondly, situations in which there is increasing agreement between business and government on policy. In the event that The Canada-U.S. Free Trade Agreement is ratified, a strong dialogue between business and government will be essential in order to stabilize and assist the private sector as it adjusts to the new economic environment. The Agreement would affect most areas of the Canadian economy to varying degrees with labour, government, and business having to adjust in a fundamental way to the new economic reality of free trade. Business and labour have traditionally been the primary economic generators and understandably could be subject to substantial restructuring in the new economic environment.

The federal government consulted with Canadians during the negotiations stage of the Agreement through advisory committees. The committees included the International Trade Advisory Committee, which had a membership including business people with international trade experience and 15 Sectoral Advisory Groups on International Trade (SAGITs), which represented the ideas and opinions

of the industrial and business sectors. Canadian businesses have responded to the Agreement with both support and apprehension. The success of Canadian business, it has been suggested, will depend on rationalization and specialization. The smaller scale businesses will have to address any inefficiencies in their operations, addressing matters such as short production runs. The business community will be considering the possible implications of the Agreement on corporate restructuring, take-overs and corporate concentration in the process of conducting its economic planning. The impacts of the Agreement on branch plants, levels of competitiveness and Canadian business practices are currently being studied by government and the private sector to offset the negative consequences and to capitalize on opportunities in the event that the Agreement is ratified.

Canadian businesses have started to anticipate the possible implications of the Agreement against the way in which they have carried out business in the past. Strategies are being developed to secure a place in the U.S. market through the identification of specialized markets, potential new market areas, assessments of U.S. competition and entry strategies. Canadian exporters will have to become familiar with U.S. business practices and secondly, the implications of the Agreement on this system. The business community would be confronted with the need to develop new strategies under free trade and the current pressures of global competition have already influenced Canadian business. Many businesses have generally been concerned about the political uncertainty surrounding the ratification process of the Agreement in the United States and Canada and the business community is beginning to develop strategies which will address and allow for the possibility of free trade in a restructured economic environment which will include the globalization of manufacturing as well as other changes.

The Ministry of Industry, Trade and Technology (ITT) delegation before the Committee expressed some concern that the removal of tariffs could reduce the incentive for multinational firms to maintain their Canadian plant locations, that they would no longer need them to service the Canadian market and might find it more profitable to relocate in the U.S. Other delegations are of the opinion that Canada will remain a good place for multinationals to invest because of a competitive exchange rate, skilled labour and an attractive quality of life.

The ITT study of the sectoral and regional sensitivity of manufacturing industries to tariff reductions recognizes the enormous pressures that international trade has placed on Ontario manufacturers in the form of tariff reductions and increasing competition. The proposed free trade environment would heighten the need for basic adjustment as barriers are reduced. The question is whether Canadian industry has the capacity and structural capability to increase productivity while reducing costs and pursuing new markets. The Ministry concluded that U.S. competition would likely increase the vulnerability of some Canadian industries and because of the import sensitive nature of many industries, it may be necessary to expand adjustment assistance programs. The Ministry concluded that the loss of the current level of protection through tariffs, quotas, and production safeguards would have serious consequences on employment and would result in production losses partly due to enhanced competition.

The Economic Council of Canada prepared an assessment of The Canada-U.S. Trade Agreement and supplementary research on managing adjustment for trade sensitive industries. The Council is generally positive about the Agreement, nevertheless, it qualifies its position by pointing out that Canada's ability to cope with international competition will be one of several major determining factors. Adjustment is seen to be an unavoidable problem to be shared by labour and management. The principles for adjustment put forth by the Council suggest that a positive approach by business, government and labour is needed to ensure effective program implementation with an emphasis on labour market assistance.

The Committee members were divided on parts of the Council's argument. On the issue of increased productivity, it was noted that Canada has historically lagged behind the U.S. The Council's view that there is a particular challenge to governments to help industries, such as the wine industry, to adjust was generally supported by the Committee. Canadian business was criticized for not always defending social programs and the opinion was put forth that the Council could address this shortcoming.

The Business Council on National Issues represents approximately 150 major Canadian employers and producers. It believes that the Agreement would result in a more competitive economic environment which could be accompanied by expanded investment. Furthermore, the BCNI has concluded that adjustment requirements will be modest and feels that government has achieved a trade plan which is most compatible with Canadian business requirements.

Members of the Committee have pursued the issue of job creation and the impact of the exchange rate on trade. It was pointed out by the Committee that the debate extends beyond business-government relations and into the philosophical consequences of the Agreement, in areas such as Canadian life style. At this point, attempts by government and business to reconcile differences becomes difficult, in forcing a decision to follow arguments of political sovereignty versus economic dependence. BCNI adopted the view that progressive social programs are needed and that they are possible through productivity and growth in a vibrant economy.

The Canadian Auto Workers (CAW) discussed a series of problems in the Agreement on numerous levels. The CAW recognized that the Auto Pact allowed firms flexibility with respect to investment locations and could be seen to be a cooperative effort between business and government.

In response to the CAW's opposition to the Agreement, members focussed on the need to maintain control of the Canadian economic destiny and to manage the economy and social programs while promoting positive business-government relations. The free trade option, it was suggested, refers to less government interference. A business-government approach to trade incorporates the popular social programs achieved over the years by labour and industry while recognizing the importance of national sovereignty and a strong economy.

The Committee has concluded that positive business-government relations are of primary importance to the growth of the Canadian economy. Each partner has essential responsibilities to each other in this effort to benefit Canadians in all sectors in the promotion of economic development and meaningful employment. Adjustment assistance will be required in the private sector as well as in the labour sector through federal programs. Enhanced measures to assist Canadian businesses in adjusting to greater competition from American firms have not been proposed by the Government of Canada. Canadian businesses, particularly smaller enterprises, would require the development of comprehensive federal programs to assist in the successful adjustment to a free trade environment.

Socio-Economic Factors

This section of the report addresses a series of complex issues which have been collectively dealt with to demonstrate their interrelatedness. These include the

subsidies issue and regional and economic development; economic forecasting models and exchange rate implications; employment, including the impact on women and minorities; and the impact on consumers. Several economists and research groups, as well as government officials, appeared before the Committee to discuss the long-term socio-economic implications of the Agreement.

The Agreement is only partly economics. Despite the strong emphasis on the economic implications, the impact on the social fabric of the country and sovereignty should be included in the equation.

The objectives of the Agreement include the need to liberalize significantly conditions for investment and to facilitate conditions for competition in Canada and the U.S. The preamble to the text commits both parties to promoting productivity, full employment and a steady improvement in the living standards in each country.

The federal government's assessment of the economic impact of the Agreement concludes that the benefits will be extensive. The report by the Department of Finance states that the real incomes of Canadians can be expected to rise by at least 2.5% in the long-term and that the economy will be more dynamic, flexible and competitive. Their analysis further concludes that at least 120,000 net new jobs will be created in the next five years as a direct result of the Agreement. The federal government feels that the 10 year phased approach will permit Canadian firms and employees to adjust to the new opportunities and it acknowledges that there will be an adjustment period but it is felt that existing government programs will assist workers and businesses during this transition period.

The Government of Ontario has similarly prepared a series of background analyses to evaluate the potential consequences of the Agreement on the province. When the Treasurer of Ontario appeared before the Committee in February 1988, he stressed the importance of the Committee's mandate to research the economic ramifications of the Agreement and in turn to advise the Members of the Legislature of its findings in order to make plans for any dislocations that might arise. According to the Treasurer steps may be required to protect the citizens and economy of Ontario against the effects of free trade. He recognized the possibility that some businesses may suffer, that people will be required to change employment and that additional federal assistance would be required during the phase-in period.

The Economic Council of Canada reports conclude that the Agreement would increase output, employment and real incomes with a stronger dollar over the longer term. Productivity improvements are needed to ensure these gains and the impact of the Agreement will be gradual due to the phase-in over a 10 year period. Productivity improvement in manufacturing is a major assumption and it is critical to the projected increase in real gross national expenditure. Furthermore, the Council has suggested the Agreement may result in lower prices and production costs, and in turn an increase in consumer expenditure and investment. The restructuring and rationalization of Canadian manufacturing and increased productivity, it suggests, will be required to meet U.S. competition.

The members' response to the Council's conclusions focussed in part on the assumptions, for example, the level of productivity in Canadian industry. The Council acknowledged the existence of excess plant capacity in both Canada and the U.S., and on the subject of exchange rates, the Council forecasted an appreciation of the exchange rate over the next 10 year period. Committee members expressed concern over the potential negative consequences of the rising value of the Canadian dollar.

The Committee has concluded that the free trade arrangement with the United States would further harm Canadian interests if the value of the Canadian dollar were to rise relative to the value of the U.S. dollar. The implications of the significant rise in the value of the Canadian dollar since the free trade negotiations began require further analysis.

This Committee believes that the interest rate policy of the Government of Canada is too restrictive and has led to an increase in the value of the Canadian dollar which is detrimental to the economic growth of most regions in Canada.

On the unresolved subsidies issues, members of the Committee have been anxious over the possible implications. The Economic Council of Canada feels that there is a presumption in the Agreement that there will be changes in the subsidy laws by both parties. The Council also feels that with or without the Agreement there will be trade disputes on the subsidies issue and that the focus should be on dispute settlement apparatus. On the question of Canada's option not to proceed with the ratification of the Agreement, the Council feels that the potential repercussions could include a very fractious period in Canada - U.S. relations, given current unresolved trade disputes and irritants.

The Ministry of Treasury and Economics' presentation before the Committee addressed its conclusions in the Economic Outlook and Fiscal Review, 1987 and related economic questions. It was suggested that the Agreement would likely have a small overall impact and the net effect of mutual tariff reduction to the Ontario economy could be small and marginally positive. Dislocation and adjustment costs are expected to be proportionately higher in Canada than in the U.S. The Ministry officials did not support the conclusion that incomes would be more regionally balanced across Canada under the Agreement, but it was concluded that the gains would not be large from tariff reduction and that there would be job losses and gains which might balance one another.

The Committee raised questions on the possible impact of the Agreement on branch plants. The Ministry officials suggested that there may be both closures and expansions of branch plants, due in part to unique corporate structures. If the U.S. decided to raise taxes to reduce the budget deficit the Ministry indicated that this could have a negative influence on the Ontario economy. Finally, on the subject of consumer benefits, the Ministry pointed out that lower consumer prices do not benefit the consumer alone, but also industry and that both households and industry would realize a modest gain in some areas. The extent to which consumers would benefit is discussed later in this section.

Professor Ronald Wonnacott concluded that the Agreement would result in increased competition, economic adjustment and fluctuations in exchange rates. Canadians will benefit from the access to a greater variety of goods at lower prices and the increased competition of imports will put downward pressure on manufacturing output and employment in Ontario. Furthermore, he is of the opinion that the adjustment process is unlikely to be as severe as is often suggested. The Agreement will have an impact on U.S. foreign investment in Canada as one of the original reasons for the U.S. investment was to avoid the Canadian tariff, according to Dr. Wonnacott. He suggested that inefficient U.S. investments in Canada will be replaced by more efficient investments. He feels that miniature branch plant investment will end in Canada and that there will still be an incentive for U.S. and other foreign firms to operate in Canada. On the related matter of the exchange rate, he feels that the Canadian dollar will appreciate under free trade because it would be a sign that Canada can compete at a higher valued dollar.

In the social policy area, the National Action Committee on the Status of Women (NAC) drew attention to the potential consequences of a shift in economic policy and trade relations. NAC is concerned that the Agreement will increase women's unemployment, limit the available occupations for women, accentuate the male/female wage gap and negatively affect universality and access to social programs. The major job losses are suspected to be in those industries which employ large numbers of women which include food processing, textiles and electronic and electrical products. Furthermore, NAC feels that the Agreement will compromise sovereignty, limiting future independence in Canadian social and economic policy.

Economist Marjorie G. Cohen expressed concern about the appreciation of the dollar and the impact that it might have on Canadian trade and she strongly endorses the need to maintain control of the domestic economy. On the subject of pay equity and more generally employment equity for women, the Agreement would put pressure on the private sector to oppose improvements in pay equity and in affirmative action programs.

The federal Department of Finance's assessment of the Agreement concluded that as the barriers or threats of barriers to import and export-oriented activity are reduced, the positive impacts on the economy would work through several channels which include lower prices for consumers. The Department's report states that trade barriers distort prices and hence consumption decisions and that trade liberalization means lower prices for both imported goods and the domestically produced goods that compete with them. Trade liberalization also means lower costs for imported intermediate products which in turn will lead to further reductions in consumer prices, according to the Department of Finance. Consumer and Corporate Affairs Canada's report, Canadian Consumers, specifically outlined consumer benefits in the following areas: the general cost of living, the annual cost of food expenditures and the cost of the establishment and furnishing of a home, based on various assumptions.

Several delegations, including the Ministry of Consumer and Commercial Relations, the Retail Council of Canada, the Canadian Manufacturer's Association, the Ontario Coalition of Senior Citizens' Organizations and the United Steelworkers of America (District 6), commented on the projected impact on consumers of the Agreement.

The Ministry of Consumer and Commercial Relations concluded that under the terms and conditions of the Agreement, the province's ability to develop consumer legislation could be restricted.

The Retail Council of Canada is of the opinion, that to the extent that the Agreement reduces and eventually eliminates tariffs and eliminates or dilutes the effect of non-tariff barriers in the transfer of goods and services, it will induce a reduction in prices, including the prices of many consumer goods available in Canada.

The Ontario Coalition of Senior Citizens' Organizations addressed the possibility of increasing prices in a new system which could erode the current social and health programs in Ontario. The United Steelworkers of America (District 6) similarly endorsed the position that all social and health services should be on a non-profit basis.

The Canadian Manufacturers' Association has stated that the Agreement would offer continued increases in the Canadian standard of living and that consumers in Canada would be clear beneficiaries through lower prices and an increase in the choice of goods.

The Committee members have questioned the price reduction projections of Consumer and Corporate Affairs Canada and the extent to which any actual savings would be passed on to the consumer from tariff reductions. Benefits in terms of fluctuations in the consumer price index are seen to be marginally positive. A second issue is that although the Agreement would eliminate tariffs on U.S. and Canadian goods, subject to the rule of origin provisions, nevertheless, consumer purchases above the tourist exemption would be subject to both federal and provincial sales taxes.

The members' socio-economic concerns included diverse subjects such as the unresolved subsidy issue; the future of economic and regional development programs; the consequences of the exchange rate and interest rates on competitiveness; the accuracy and usefulness of economic models; the benefits and/or costs of the Agreement to consumers; employment implications, particularly for older workers, women and minority groups; plant closures and adjustment costs; loss of new business investment; industries' ability to rationalize; the possible relocation of multinationals; and the effectiveness of existing government programs and incentives.

Fundamentally the Committee was concerned about the economic and social impact of the proposed Agreement on Canadians and the citizens of Ontario and the ability of the provincial economy to adjust to the proposed changes while maintaining the standard of living that the province has achieved under decades of investment in capital works, research and education. The delegations who commented on the socio-economic implications of the Agreement did not entirely satisfy the members in all instances with the various forecasts of the possible economic consequences. The lack of consensus is based in part on the diverse conclusions reached by economists and the variability of the assumptions used in the models.

Labour and Employment

Canadians have a tradition of social consciousness, both domestically and indeed in the international arena, characterized by the protection of fundamental human rights as demonstrated in areas such as health and housing. Traditionally, governments at both the federal and provincial levels have pursued policies which have encouraged economic development and jobs in the diverse regions of Canada. The mining and lumber communities of Northern Ontario and the agricultural and tourism regions in the south are clear examples. The permanence of jobs is a critical issue in single industry towns in which international commodity price fluctuations can lead to extended periods of unemployment, family hardships and at times the loss of entire communities. These problems exist in many regions of Ontario although in some situations other employment options are available and family relocation is not necessary.

Concern for the labour force is at the centre of the numerous government policies which have been used to encourage economic development. Education and resourcefulness are essential ingredients for a healthy and competitive economy. Historically, protective tariffs have been a useful policy option to encourage growth not only for Canadian, but also foreign firms in pursuit of Canadian market share. At the centre of the debate on the appropriateness of this Agreement is the fact that the job market will be confronted by adjustment pressures; some sectors more severely than others. Canadians in all industries, both labour and management, are interested to know which jobs will be lost and created in the new economic environment. The matter of plant closures, obsolete manufacturing techniques, lack of sufficient funding for research and development in a progressively competitive world market have made some Canadians view the Canada-U.S. Free Trade

Agreement as yet another challenge to numerous sensitive industries which may not have the ability to restructure within the proposed time frame. Others are of the opinion that Canadian business is both capable and prepared for the economic realities of tariff reductions and the other provisions of the Agreement. Job losses and the creation of new positions are issues of paramount importance in the evaluation of this Agreement.

Labour in Ontario recognizes the accomplishments in the labour laws which include minimum wage legislation, health and safety standards, maternity leave assistance and Ontario's pay equity legislation. These represent major improvements for working men and women in Ontario.

According to the federal government's economic assessment of the proposed Agreement, it will create new employment opportunities for Canadians and it will also help to maintain existing jobs. According to the Department of Finance, estimates of the impacts of the Agreement on employment over the government's medium term fiscal planning horizon indicate that 120,000 net new jobs will be created by 1993, five years into the phasing in of the Agreement. Labour has questioned whether in fact this objective will be achieved and also what the social and economic consequences of the Agreement will be during implementation.

The impact of the Agreement on the job market is clearly not conclusive. Economists have prepared models to project the impact, with various assumptions, and during the debate on the Agreement these figures have gone through substantial adjustments. The federal Advisory Council on Adjustment was established to assess and report in 1989 on what steps would be required in the transition.

Management in many Canadian firms is in the process of setting contingency options, which may or may not take into account the current labour force. Labour is of the opinion that in any adjustment period those adversely affected would include women, immigrants and the older workers who may have difficulties in relocating to new positions partly because of skills and education limitations. The matter of readjustment assistance is of critical importance to those facing job dislocation, particularly workers without the skills required in new growth industries. Labour in Ontario is concerned with protecting labour laws and existing union organizations, and the right to organize labour in new areas of the economy in the future.

Many groups submitted documents to the Committee on the labour and employment issue and most of the delegations discussed the impact of the Agreement on employment.

The C.D. Howe Institute's assessment recognized that there will be major winners and losers in bilateral free trade with the U.S. and that the extent of these effects will depend on world markets for various goods and the strength of the North American economy.

The Economic Council of Canada's discussion paper (No. 344) "Open Borders" released in April 1988 concludes in its discussion of employment and adjustment that bilateral free trade with the U.S. would create many more jobs in Canada than it would eliminate. It was suggested that 187,800 jobs would be lost, while 439,000 would be created for a net gain of 251,200 jobs over a period of 10 years. The report elaborates further that on an annual basis 18,800 jobs would be lost through permanent layoff and 43,900 would be created.

The Ministry of Industry, Trade and Technology's assessment of the implications of tariff reductions to Ontario manufacturing in November 1987 concluded that 74 Ontario industries are vulnerable to increased pressure from U.S. imports. These industries employ approximately 400,000 Ontario workers. Those Ontario manufacturers expecting to gain increased export opportunities in the short term currently provide, in 1988, approximately 280,000 jobs in the province.

The Economic Council of Canada, in its report Managing Adjustment: Policies for Trade Sensitive Industries, concludes that the Canadian labour market has been undergoing constant change. In a typical year 8 percent of jobs in the manufacturing sector are lost because of plant closings and contractions, while there is an annual increase of 9 percent of jobs created because of plant openings and expansions.

According to research by the Economic Council of Canada, the major part of the challenge in managing adjustment is in setting out policies for the trade-sensitive industries. Competitive trade pressures may cause firms and workers to react to structural change in several ways which include leaving the industry as a solution, revitalization and, thirdly, protectionist measures such as tariffs which would not be possible under the Agreement. The Council concluded that the total employment

changes would not be large under the Agreement, taking into account the new job creation and labour turnover that already exists in manufacturing.

The Committee discussed the possible impact of the Agreement on Canadian labour directly with several delegations which included the Canadian Auto Workers (CAW), the United Food and Commercial Workers International Union, the Ministry of Skills Development, United Steelworkers of America, Ministry of Labour, and Professor Daniel Drache of York University.

Mr. Robert White, CAW, addressed the experiences of restructuring in the past and suggested that for working people it has all too often been a negative rather than a positive experience. On average, auto workers who permanently lost their jobs in the 1980s, went 27 weeks before getting new employment and their new jobs paid 34 percent less than their old jobs.

The United Food and Commercial Workers International Union (UFCW) pointed out that many of its members are women in lower paying jobs whose first language is not English. The UFCW is particularly concerned that these people are at a distinct disadvantage when confronted by retraining or relocation options. Furthermore, their membership is concerned that critical Canadian social programs such as health insurance, unemployment insurance, the Canada Pension Plan and the Old Age Pension could be challenged under the terms of the Agreement.

The Ontario Ministry of Skills Development officials outlined specific industries which would face adjustment pressures under the Agreement. The Ministry concluded that the Agreement would accelerate adjustment pressures and that the adjustment would be substantial in terms of job losses and gains as workers acquired new skills distinct from those of older declining industries. The Ministry emphasized the importance of the federal government assuming its responsibility in providing the additional support for labour adjustment assistance programs. The Federal Advisory Council on Adjustment will have to deal with the serious issue of labour adjustment and attempt to resolve recent funding deficiencies and not limit its analyses to discretionary spending on ad hoc assistance. There is a need for a comprehensive national program of adjustment assistance.

The United Steelworkers of America (District 6) criticized the projected new job forecasts under free trade. The union is doubtful of both the economic forecast models and the assumptions which have been used to determine employment attributable to the Agreement.

The Ministry of Labour expressed interest in several areas which include training for displaced workers in its efforts to determine the size of the program required. The legal text of the Agreement does not mention labour adjustment and secondly, the Ministry pointed out the uncertainty over the adequacy of existing federal labour adjustment programs.

In his assessment of the economics of the Agreement in a continental framework, Professor Daniel Drache, York University, concluded that the Agreement prevents the Canadian governments from demanding performance requirements and job or production guarantees from American investment. The option to develop industrial policies to protect jobs and companies through government intervention is a major problem in the Agreement according to Professor Drache.

According to the federal government's assessment, free trade for women will mean increased employment opportunities in the service and manufacturing sectors and in primary industries. In addition, this assessment concludes that women on the farm would benefit from improved access for agricultural products, women entrepreneurs would have new business opportunities, social programs would be protected based on the expanded financial foundation and finally, consumers would have access to more competitively priced goods.

The Ontario Women's Directorate's report of November 1987, The Free Trade Agreement and Women, concluded prior to the release of the Agreement in their preliminary review that free trade could have a negative impact on women and that the effects of such an agreement could increase gender inequality in Ontario. According to the Directorate's report, women in manufacturing are disproportionately represented in those industries considered to be the losers in a free trade agreement. The skills characteristics of these women make it improbable that they will find alternative employment and if they do, it would likely be in lower paid service occupations.

The Canadian Advisory Council on the Status of Women's background paper of September 1987 by Ms. Katie Macmillan concluded that women would have the potential for gains under free trade given generous phase-in provisions for those

industries where women employees are concentrated most heavily and with adjustment assistance programs designed to accommodate women, and provided that attention is paid in the negotiations process to the special concerns of women.

The National Action Committee on the Status of Women delegation identified several main issues of concern to their constituency. They have concluded generally that the Agreement could increase women's unemployment; confine women's work to a narrower range of occupations; adversely affect women's ability to pursue better working conditions through unionization; accentuate the wage gap between males and females; inhibit the effective use of social policies to correct market inequalities and negatively affect universality and access to social programs.

The Economic Council of Canada's Annual Review published in September 1987 pointed out that most of the job growth under free trade would be in the services sector, which is a major employer of women. The Council recognizes that there are several manufacturing industries in which the labour force is largely women who lack a formal education. The textile, leather, knitting and clothing industries are unlikely to have a competitive advantage and will have to be revitalized to compete with the newly industrialized countries.

The members of the Committee acknowledge the importance of equality of access for all workers in Ontario and the necessity to use policy options to encourage and assist segments of the work force in efforts to secure employment. The Committee membership is not in total agreement that the Canada-U.S. Free Trade Agreement will either restrain or promote the role of women in the workplace. Some members are of the opinion that the economic benefits anticipated under the Agreement will be extended to all segments of the work force through the rationalization of manufacturing, for example, and increased market share in the U.S. Others feel that the Agreement will result in the demise of industries in which the majority of the employees are women and that a market-driven economy under free trade would compromise social programs and government assistance to help workers to re-enter the work force.

Members of the Committee have expressed distinct opinions on whether or not labour and unemployment will be either encouraged or undermined by the Agreement. The evidence presented by several delegations suggested the need for federal assistance in the adjustment challenge and the Committee recognizes that

there will be industries which will be hurt by the Agreement and that these people should be encouraged and assisted by government through existing and new programs to re-enter the work force. Whereas some members of the Committee have concentrated on the possibilities of job losses and adjustment assistance, other members believe that without the Agreement, trade actions and the problems of diminishing competitiveness would compromise Canada's market share. The Agreement in this context could be seen to help to address the importance of Canada/U.S. trade and challenges to a continental market. The Economic Council of Canada in "Managing Adjustment," discussed the challenge of protectionism and the general effects of such policies. The Committee is concerned about the consequences of such protectionist measures in international trade, particularly in light of recent trade legislation in the U.S. Omnibus Trade and Competitiveness Act of 1988.

The Committee recognizes the need to be competitive and progressive in expanding markets and the necessity of the federal government to mitigate labour adjustment problems through strong federal assistance programs in the transitional period as the economy rationalizes and restructures.

Environment

Environmental standards, protection measures and enforcement have been an important subject of interest in the hearings process. The Province of Ontario has demonstrated a strong interest in environmental protection since the 1970s, through policies and programs and the members of the Committee generally recognize the importance of these environmental standards as well as the associated economic costs in the implementation stage.

The Committee received several submissions directed at environmental protection which include the Canadian Environmental Law Association and the Ministry of the Environment.

The Canadian Environmental Law Association's (CELA) brief addressed the question of whether harmonized standard setting would lead to higher or lower standards. CELA recognized the diversity of standards among U.S. and Canadian federal, state and provincial laws and pointed out that in some areas Canadian standards are higher than those in the U.S., but not in all instances. The Association is of the opinion that at the federal level in Canada and the U.S., the current governments have downgraded the importance of environmental protection, in

Canada through the reduction in funding for the federal Environment Department. CELA concluded by stating that the Agreement introduces great uncertainty for environmental protection standards given that it remains to be seen how environmental objectives will be applied in any harmonization initiatives under the terms of the Agreement.

The Ontario Ministry of the Environment delegation concluded that the impact of the Agreement on the interests and responsibilities of the Ministry is uncertain and ambiguous. Five major concerns of the Ministry concentrated on hazardous products, the implications of harmonized standards, pollution regulations, future environmental policies and control over natural resources. The Ministry reached the following conclusions on these complex issues. It is not possible to say whether the federal government will permit more pesticides, leaving the onus on the provinces to decide on the use of more stringent controls. Secondly, the Ministry supports the harmonization of standards, but favours stringent environmental policies. Thirdly, Ontario's ability to provide an effective regulatory framework for pollution control could be compromised if Ontario businesses exert pressure for environmental controls of no greater consequence to them than those facing their U.S. competitors. Fourthly, whether economic incentives to achieve environmental goals will be permitted or challenged as an unfair subsidy is not clearly defined. Finally, Ontario is making preparations for a provincial conservation strategy and the Agreement may encourage the use of resources at an increased rate.

The Committee has concluded that our ability as Canadians and as the Province of Ontario to protect our environmental interests is seriously threatened by this Agreement.

The Agreement

The preceding discussion identified the main philosophical approaches and themes which were evident during the hearings. This section of the report addresses the specific provisions of the Canada-U.S. Free Trade Agreement and potential implications not addressed in the preceding section of the report. These provisions are the basis from which the various delegations have interpreted and evaluated the relative merits of the various articles of the Agreement.

The following analysis reflects the substance of the hearings, taking into account the various interpretations of the provisions and the debate over the strengths and

weaknesses in the legal text of the Agreement. It also identifies those areas of the Agreement which appear vague and in the Committee's view are in need of further investigation and elaboration in the legislation at the implementation stage.

General Provisions

The Agreement contains a series of obligations which are broad in scope and could have an impact on major areas of national concern which include the economy, federal-provincial affairs and international relations. These provisions include the articles which apply to the extent of obligations, national treatment, subsidies, monopolies, technical standards and nullification and impairment. Article 2106, Duration and Termination, states that this Agreement shall remain in force unless terminated by either party upon six-month notice to the other party.

The Extent of Obligations provision (Article 103) requires the federal government to effect the provisions of the Agreement which includes observance by the provinces. At issue, in part, is the apparent departure from Canadian practice in dealing with the provinces in international obligations. The members heard testimony from experts including the Attorney General of Ontario and Dr. Fairley. Concern was expressed on the potential limitations that the Agreement would impose on the provinces' constitutional rights and responsibilities, and most fundamentally the ability of the provinces to set policy and legislate. Other members concluded that the federal government has the constitutional authority to enact legislation to implement the Agreement despite its effect on the provinces under the federal trade and commerce powers.

The National Treatment provision (Article 105) ensures that Canada and the U.S. shall accord national treatment to each other. The national treatment concept and the most-favoured-nation (MFN) approach are two fundamental precepts to the GATT principle to ensure non discrimination. Within a multilateral trade environment promoting liberalization, this article is generally acceptable although in practice there may be concerns about the implications. There is an exception in services (Article 1402.3(a)) which does not require national treatment. The provinces have policies and programs which do not afford national treatment, and in some cases place restrictions on foreign ownership. In addition to the specific provision for national treatment, there is general reference in the Agreement to address undue discrimination, which could affect professionals through provincial regulations.

The issue of subsidies has been a major concern in the Committee hearings. The Agreement has, according to some members, limited the opportunity for government use of subsidies as a policy option whether it is in the form of economic development assistance or regional programs. The Agreement provides for the development of a new set of rules for anti-dumping and subsidies to govern trade between Canada and the U.S. Whereas the proponents of the Agreement feel that the decision to develop and implement a new system would stabilize trade disputes in new laws within seven years, many are concerned over the delay and possible consequences for current subsidy practices. The problem remains that provincial subsidies are still subject to U.S. trade remedy laws. The provincial government's authority to set policy which would subsidize Ontario-owned businesses and set up new labour adjustment programs is not clear.

Historically, monopolies have been established by governments in Canada. The Agreement, according to some sources, will place limits on monopolies such as utilities. Proponents point out that the Agreement does not prohibit provinces from creating monopolies. Members are generally concerned with the requirement that the U.S. must be notified and consulted when consideration is being given to either expanding an existing monopoly or establishing a new monopoly. A further component part of the monopolies issue in the Agreement appears to be the right of compensation in the event of the creation of a monopoly for public purposes.

It has been suggested that the Technical Standards section of the Agreement does not include a great deal that is new in this area. It does not apply, for example, to governments other than to federal standards. Those who support the Agreement view this section as supporting the GATT Standards Code and feel that these provisions will reduce interference in trade, while maintaining health, safety, environmental security and consumer interests. The Agreement only encourages compatibility of technical standards at the provincial level. Members recognize this fact, but there is concern that the Agreement encourages the harmonization of standards in several areas. The provinces may be concerned about federal suasion to ensure compliance in increasingly more areas as the federal government agrees on new standards with the U.S. The debate over plywood standards is an example.

The Committee has concluded that outstanding concerns remain that Canadian standards in the areas of consumer services, environmental protection, working

conditions, the provision of health care and education, and other areas would be negatively affected by the increased pressure that a comprehensive free trade agreement with the U.S. would bring to dilute Canadian laws and customs.

The Nullification and Impairment section (Article 2011) provides the option to either party to consult and/or complain about any act by local, provincial and federal governments, which is seen to undermine the benefits of the Agreement. Again the opponents to the Agreement feel that this restricts the provincial role and autonomy in such a situation. Others feel that it is an effective and necessary provision for the signatories to ensure consultation and possibly the resolution of discrepancies over the loss of existing and potential benefits.

At the outset of the discussions on free trade and prior to the negotiations, several trade barriers were addressed which included tariffs. The federal government's position was that tariffs should be eliminated over an agreed period of time. Initially this objective was discussed within the context of phasing and transitional arrangements taking into account the specific needs of the various sectors and most importantly reflecting the asymmetry between the scale of production in the U.S. and Canadian economies. The impact of linear tariff reductions without careful consideration of the differentials in tariff sizes in each country and the differences in scales of production have been of concern to some members of the Committee.

The Committee has concluded that it would be disadvantageous for tariffs to be eliminated simultaneously in both countries since Canadian tariffs start at a higher level. The faster rate of tariff reduction and the higher degree of tariff reduction impose a higher cost upon Canadian business and industry.

Agriculture

Agriculture is addressed in Chapter 7 of The Canada-U.S. Free Trade Agreement. The provisions, according to the federal government, generally address tariff elimination over 10 years; the restriction of direct export subsidies on bilateral agricultural trade; the exclusion for each party from meat import laws; the eventual elimination of Canadian import licences for wheat, barley and oats; a Canadian exemption from U.S. restrictions on products containing 10 percent or less sugar; a special protective fruit and vegetables tariff; the maintenance of the Canadian

supply management and marketing board system; an increase in Canadian import quotas for poultry and eggs; and a reduction in technical regulations which restrict trade, while maintaining protective standards.

The Committee received delegations and briefs from several groups with agricultural interests in the Province. These include the Christian Farmers' Federation of Ontario, a Group of Farmers from Watford, the Ministry of Agriculture and Food, the National Farmers' Union (Ontario Division), Ontario Federation of Agriculture, the Ontario Grape Growers' Marketing Board and the United Food and Commercial Workers' International Union.

The Ontario Federation of Agriculture (OFA) is the largest farm organization in the Province representing approximately 23,000 farm families and associate members. The OFA has serious reservations about the Agreement and has concluded that national sovereignty is compromised and that economic efficiency criteria are being emphasized at the expense of stability, diversity and autonomy. The Federation's position is that the Agreement is not in the best interest of farmers in Ontario. The dispute settlement mechanism and harmonization provisions have been criticized and farmers have serious reservations over possible implications in the areas of grains and oilseeds, supply managed commodities, livestock, fruit and vegetables. Furthermore, the OFA is concerned that the supply management system will be negatively affected. It has been suggested by the OFA that the commitment to ban export subsidies on bilateral trade would call into question surplus removal efforts, particularly in the dairy industry. The Federation has identified the need for adjustment programs, and it has recommended that the Province support the orderly marketing of agricultural products and to press for the resolution of the countervailable subsidy problem.

The National Farmers' Union has described itself as a general farm organization engaged in the production of a broad spectrum of farm commodities. The Union feels that the disadvantages of the Agreement outweigh any gains. It was suggested that the U.S. and Canada have a different philosophical approach to agriculture, with Canadians being supportive of orderly marketing and supply management in commodity marketing boards. The U.S. system is more market-oriented and subject to greater industrialization and vertical integration. The Agreement, according to the Union, would allow free market forces to act as the primary price determining factor and that without tariffs, import licencing, adequate health and inspection

regulations, support and/or stabilization programs, Canada would be opting for a "laissez-faire" agricultural policy. The Union pointed out that when the agriculture sector had free trade in dairy produce with products from around the world, the domestic dairy industry experienced serious problems. The industry, it was concluded, was saved through the supply management programs.

The Minister of Agriculture and Food's assessment of the Agreement concluded that the agricultural provisions result in a fairly limited negative package for Ontario agriculture and also food industries. The Ministry is of the opinion that many domestic policies and programs will remain, but that negative consequences will result in other areas. According to the Ministry, both producers and processors will likely face increased competition from U.S. products in domestic markets; tariff elimination will lead to a loss of income for fruit and vegetable producers; grape growers and wineries will be threatened the most; and adjustment pressures will be great for fruit production and grape growing. Livestock and red meat producers and processors are expected to benefit, subject to anticipated countervail problems for red meat. With respect to implementation, the Ministry has questions about the tariff snapback mechanism, producer compensation with the possible elimination of the two-price wheat policy and Canada's right to place some poultry and dairy processed products on the Import Control List. Finally, the Ministry feels that the federal government has specific responsibilities in several areas to ensure the effectiveness of the tariff snapback mechanism; proportional compensation in the event of the elimination of the two-price wheat policy; appropriate use of the Import Control List to protect processed poultry products, ice cream and yogurt against U.S. products; the maintenance of high Canadian standards in quality grading and plant animal standards in the reduction of technical barriers; and finally, attention to proper adjustment assistance.

The Board of Trade of Metropolitan Toronto recognized the possibility of competition from the U.S. fruit and vegetable suppliers and to a lesser extent U.S. dairy, poultry and egg producers, which would be permitted in the modified quota system. The Board acknowledged the possibility of damage to the wine and grape growing industries and the need for adjustment assistance.

The Committee members pursued questioning on the unresolved subsidies issue with the OFA and the ineffectiveness of the dispute settlement mechanism. The Federation stressed the importance of being able to maintain the right to support

farmers' income and to have programs to support agricultural industries. The OFA expressed disappointment in the dispute settlement provisions. Because of a concern about food processing, it was asked what impact variables such as the value of the dollar and the subsidy issue would have on the agriculture industry. The Federation is concerned about the impact of a higher-priced Canadian supply management system as a disincentive and it was suggested that Canadian farms have government regulations to consider such as Workers' Compensation and less predictable factors such as Canadian interest and exchange rates to take into account. The challenge and cost to remain competitive is at the centre of the debate.

Although Canada's supply management systems have been retained under the Agreement, there are fears that a number of provisions may undermine these systems and adversely affect both farmers and food processors in, for example, the poultry and fruit and vegetable sectors. According to the Ministry of Agriculture and Food, the elimination of tariffs and the increase in global import quotas for poultry provide the opportunity for U.S. suppliers to increase exports of less expensive poultry and poultry products to Canada. Without access to U.S. poultry meat prices which are generally lower than the higher prices imposed by supply management, Canadian poultry food processors will be at a competitive disadvantage. Similarly, Dare Foods Limited indicates that the loss of tariff protection together with the higher cost of ingredients from supply management policies negatively affect their business. In general food processors indicate that they can compete if they have access to raw agricultural products priced at the same level as their U.S. counterparts. The Committee notes that U.S. agriculture is a heavily subsidized industry. If Canadian food processors have access to these U.S. products, then Canadian producers using higher-priced, supply-managed, Canadian products may be at a disadvantage.

Members expressed concern for issues such as the subsidy matter, the future of the family farm, the ownership of agricultural land by foreigners, the future of supply-managed marketing boards and health and quality standards in agricultural products and environmental consequences. On questioning, it was suggested by the National Farmers' Union that U.S. agricultural products are more heavily subsidized than those in Canada, but that it is not done on the Canadian commodity target base. The Union pointed out that when the agriculture sector had free trade in dairy products from around the world, the domestic dairy industry experienced serious problems. The industry, they concluded, was saved through the supply management program.

As discussed in the section on international trade relations, the use of subsidies in general, and particularly in the agricultural sector, has been a major concern. Since 1955, agriculture has been exempt from many GATT rules, including those on subsidies. Following increasing international pressure on agricultural trade issues, agriculture has been included under the current Uruguay Round, with negotiating objectives which include improved market access through the reduction of import barriers and increased discipline in the use of subsidies. The Committee has recognized the influential role of GATT decisions in Canadian agriculture prior to the free trade negotiations. The Cairns Group, which includes Canada, Australia, Argentina, Brazil, Chile, Columbia, Hungary, Indonesia, Malaysia, New Zealand, Philippines, Thailand and Uruguay, but not EEC countries nor the U.S., has had a central role in the GATT to ensure the importance of agriculture in the current Round. The Group's objectives include the reformation and liberalization of international trade in agriculture and generally that governments freeze and reduce subsidy programs which distort world trade. This approach represents a major departure in agricultural policy.

The potential loss of farmland to U.S. corporate farms was cited as a possible threat under the national treatment provision of the Agreement. It was suggested that Americans could alter the traditional farming community in Canada.

Finally, with respect to health and quality standards, the National Farmers' Union officials expressed concern over the harmonization of technical standards and suggested that high Canadian export standards should not be compromised.

Committee members addressed a number of issues related to the Ministry's conclusions on the consequences of the Agreement for agriculture in Ontario. Members recognized the value of the analysis and the elaboration on issues which included the financial impact of the Agreement, foreign ownership of agricultural industries and land in Ontario, the impact of the proposed quota system, the impact on the Canadian supply management system, U.S. versus Canadian subsidy programs, proposed adjustment assistance programs, technical standards harmonization and the safety issue in the use of agricultural chemicals, and the matter of Canadian self-sufficiency in agriculture.

The Agreement is viewed by some as a verification of the seriousness of both parties in achieving a model bilateral agreement which could in turn give support to

the GATT negotiations and future efforts in this area. The negotiating process is complicated by nontariff barriers which include most notably the unresolved subsidies issue.

The Committee has noted that the Agreement has both benefits and costs. The enhancement of trade for some products with the elimination of tariffs, and increased trade through the harmonization of technical standards for some commodities are vague benefits but secured access for red meats is the most assured benefit. The costs include adjustment pressures for fruit and vegetable producers, alterations to poultry and egg supply management systems and the challenge to domestic food processors of imported processed products.

The Committee has concluded that Canada's agricultural sector is endangered by the Free Trade Agreement. There is no major agricultural sector, with the exception of the red meat industry, which can expect to benefit from this Agreement. Chapter Seven is likely to place the supply managed marketing board system in grave jeopardy, and would severely restrict Canada's bargaining powers at the current round of the GATT negotiations.

Wine and Distilled Spirits

The articles in The Canada - U.S. Free Trade Agreement on wine and distilled spirits are outlined in Chapter 8. This section of the Agreement, according to the federal government, eliminates the price mark-up differential between Canadian and U.S. wines over a seven year period, and immediately for distilled spirits, although it does not apply to current restrictions on beer. The signatories have agreed to national treatment with respect to listing and distribution procedures, with exceptions for B.C. wineries, and private wine outlets in B.C. and Ontario. The provision permitting in-province bottling of wine for sale in grocery stores in Quebec is grandfathered. Finally, all price discrimination in Canada and the U.S. will cease.

A number of the delegations and written briefs addressed the provisions of the wine and distilled spirit articles. These included the Association of Canadian Distillers, Dr. Scott Fairley, the Ministry of Consumer and Commercial Relations, the Ontario Grape Growers' Marketing Board, the United Food and Commercial Workers' International Union and the Wine Council of Ontario.

The Association of Canadian Distillers is a national trade association. Approximately half of the industry's production is in Ontario. The Association has concluded that the Agreement is on the "positive side of neutral" and that it is important for relaxing trade barriers and trade distorting measures around the world which will provide opportunities leading to new growth in Canada. The national treatment provision will not make a change in the distribution of spirits because according to the Association, U.S. and Canadian products are treated equally now. Generally the Agreement is seen to increase slightly the production of whiskey and possibly rum, as well as additional bottling in Canada of U.S. products. The removal of blending requirements for spirits other than bourbon is an area of concern. The viability of the dispute settlement structure, according to the Association, is questionable in terms of its effectiveness and independence from the U.S. bureaucracy and political process.

The Wine Council of Ontario is of the opinion that the wine provisions of the Agreement are harsh and that the wine industry could be seriously damaged under the Agreement. According to the Council, the provincial marketing boards, including the Ontario's Grape Growers' Marketing Board, are not protected. It is felt that it will be difficult to remain viable and that the industry will be forced to alter its sourcing, production and marketing practices to meet the competition in the new free market. The Wine Council of Ontario addressed the possibility of the new market environment under the Agreement. The wineries have developed a new business strategy which includes the expansion of wine marketing and aggressive marketing and selling on a national scale.

The Ministry of Consumer and Commercial Relations commented on a number of articles in the Agreement and concluded that the Agreement will have serious implications for Ontario's beverage alcohol and related industries. The production of wine from Ontario grapes could decline by 20% to 45% and the utilization of grapeland acreage could be reduced by about 30% to 40% according to the Ministry. The loss of market-share and the need for rationalization were stressed. The wineries could be faced with a price competitiveness problem and employment losses. With respect to distilled spirits, the anticipated consequences for Ontario's industry are expected to be marginally negative, but sales of Ontario brandies would drop dramatically with the elimination of the existing markup differential. The grandfathering of existing sales and distribution of beer would reduce flexibility for any future changes to the distribution system. Finally, the Ministry expressed concern over fundamental issues which include provincial jurisdiction over the

internal sale and distribution of wine and spirits, the exclusion of Ontario's estate wineries from the special statutes given to the same B.C. wineries and Quebec grocery store distribution options for provincially-bottled wine. Transitional adjustment, the threat of retaliatory trade actions by the U.S. and lack of secure access to the U.S. market are outstanding issues.

Finally, the Ontario Grape Growers' Marketing Board, which represents 900 growers and 16,000 full-time and seasonal jobs, expressed apprehension over the wide use of numerous chemicals in the U.S. and the potential compromise of Canadian environmental protection standards. Also, Canadian agricultural wages are higher than those of California and the level of farm support programs in the U.S. is higher than in Canada. It is felt that the Agreement and the GATT position will destroy the industry and that business investment will diminish. The European Community (EC) export subsidies are seen to be giving the Europeans a distinct advantage.

The Committee members have expressed diverse positions on the wine and distilled spirits articles. The matters of job loss and transitional adjustment assistance were foremost in the discussions and the consequences of foreign competition from Europe and the U.S. could have a severely negative impact on the Ontario industry. Furthermore, any problems in the wine industry could result in the loss of prime agricultural land, particularly in the Niagara Peninsula area, to non-agricultural uses. Some members felt that the 1988 GATT decision in response to the EC complaint over the distribution and sale of alcoholic beverages by provincial agencies, not the Agreement, is the main problem for the industry. The panel report of the GATT, adopted in March 1988, concluded that discriminatory prices by provincial agencies were not in accord with GATT rules, and that Canada should correct this matter and report back. The outstanding subsidies matter was generally recognized as an issue which has to be addressed in the near future and several members were of the opinion that wine products from Ontario should be promoted to help to ensure the survival of an Ontario product that has contributed to the Ontario economy and Ontario's international profile. The Committee acknowledges that the Wine Content Act reflects a tripartite agreement negotiated between the Government of Ontario, the Wine Council of Ontario and the Grapegrowers Marketing Board in response to Canada's obligations under the General Agreement on Tariffs and Trade (GATT).

The Committee's assessment of the alcoholic beverages provisions of the Agreement is that the preferential status for Canadian whiskey will assist that

industry. Members have noted the listing, pricing and distribution practices as outlined in the Agreement. The wine and grape industry faces serious adjustment problems and the U.S. will still have recourse to existing trade laws. Of fundamental concern is the phase-out of existing listing practices for the Ontario wine industry.

The Committee has concluded that Canada's grapegrowing and winemaking industries would be seriously damaged by the seven-year front-end loaded phase out of preferential mark-ups for domestic wines. The Government of Ontario has developed an alternative twelve-year competitiveness strategy, embodied in the Wine Content Act (1988), which meets Canada's international obligations and also preserves the integrity of these industries.

Energy and Resources

The Energy provisions in The Canada-U.S. Free Trade Agreement are addressed in Chapter 9 of the text. The federal government's assessment of the energy articles concludes that both the U.S. and Canada agree to prohibit most restrictions on energy exports and imports, subject to existing GATT reasons for which such restrictions may be applied, including those related to supply or conservation. In the event of short supply, however, the exporting country will provide proportional access to energy commodities and will not discriminate on price. Resources, with the exception of energy, are referred to as goods and are therefore dealt with under the national treatment clauses and border measures which are subject to tariff elimination.

The Committee received approximately 20 briefs and delegations which addressed the energy provisions of the Agreement. These included the Canadian Alliance for Trade and Job Opportunities, the Canadian Environmental Law Association, Council of Canadians, Professor F. Lazar, the Ministry of Energy, the Ontario Federation of Labour, the Ministry of Natural Resources and the Ontario Natural Gas Association.

The Ontario Federation of Labour (OFL) is opposed to a bilateral free trade pact between Canada and the U.S. and the possible integration of the Canadian economy with the U.S. through what it views to be a growing dependency. The OFL holds the opinion that bilateral trade would severely limit Canadian policy in several areas, which include innovative uses in energy policy. The Federation is opposed to

restrictions in policy formulation and it believes that the Agreement would place restrictions on the establishment of a publicly owned corporation such as Ontario Hydro which it feels has had a significant positive impact on economic development in the province of Ontario. Furthermore, in the development and management of Ontario natural resources, the OFL questions the U.S. position on the softwood lumber case and the references to how the U.S. defines unfair subsidies.

The Canadian Alliance for Trade and Job Opportunities has concluded that the energy provisions are encouraging because Canada has substantial reserves in energy resources. The Agreement will assist in unrestricted trade which will enhance Canada's reliability as a supplier in all market conditions. The Alliance believes that Ontario will benefit from the Agreement through expanded trade opportunities in energy.

The Ministry of Energy appeared before the Committee and had reached a number of conclusions. The officials believe that the Agreement will erode Canada's ability to implement an independent energy policy; future Canadian governments will be bound to current policies regardless of market conditions; the security of the Canadian energy supply is threatened, given the proportional access provision; Canadian access to the U.S. market is only marginally improved, except for uranium; and the impact on the operations of provincial electric utilities is uncertain. The Ministry identified some benefits which included Canada's exemption from a U.S. oil import levy and any U.S. restriction on the enrichment of foreign uranium. Furthermore, the Ministry has concerns about natural gas consumption, Ontario's limited access to alternative sources of crude oil and a possible challenge by the U.S. to a government directive on Ontario Hydro rates. In summary, the Ministry feels that Canada will gain very little in the Agreement.

Professor F. Lazar views the energy articles of the Agreement as one of two principal failures on the part of the federal government. He stated in his brief that an important policy lever, dual pricing for oil and natural gas, was part of the collection of measures critical for assisting Canadian companies in developing competitive advantages. He concluded that one possible implication would be that successful Canadian companies will be under pressure to relocate to the U.S.

The implication on the resource component was addressed by the Ministry of Natural Resources. The Ministry expressed uncertainties in terms of the

Agreement's potential impact on the commercial fishing industry, water resources and tourism. Generally, the Ministry has questioned the extent to which it will be able to pursue regional economic development strategies and manage Ontario's resources. The main objectives of the resource-producing regions, according to the Ministry, were to secure unimpeded access and secondly, a binding dispute settlement mechanism. The Ministry has major reservations because these basic items were not achieved. The officials suggested several other resource-related matters, including the ability to impose quantity restrictions in the event that diversions of fresh water into the U.S. were being considered. Furthermore, the Ministry posed the question of why the federal policy on water resources, which does not endorse large-scale diversions, is not included in the Agreement.

On the subject of water, Mr. Clark, former Deputy Head of the Canadian Delegation to the General Agreement on Tariffs and Trade, Tokyo Round, concluded that all water is included in the Agreement and, furthermore, that the Agreement gives the U.S. substantially greater rights than exist under the GATT regarding the control and export of Canada's resources. Mr. Clark's statement to the Committee outlined the two arguments behind his contention. He stated that the text of the Agreement refers repeatedly to the term "good." For example, Article 105 states that "each party shall, to the extent provided in this Agreement, accord national treatment with respect to trade in goods and services." The text also states that a good is defined as it is understood in the General Agreement on Tariffs and Trade. For years water has been bound in various countries' schedules annexed to the GATT. More recently, the harmonized system, developed by the Customs Co-operation Council in Brussels, but adopted by the GATT, includes a tariff item for water. It is beyond reasonable doubt that the GATT would understand water as a good. Additionally, tariff item 22.01, which is in both the American and Canadian schedules annexed to the Agreement is identical to the item in the harmonized system and includes all natural waters. It reads, "waters, including natural or artificial mineral waters and aerated waters not containing added sugar or other sweetening matter nor flavored; ice and snow." Any good covered by a tariff item annexed to the Agreement is subject to the provisions of the Agreement itself. Mr. Clark believes that the Agreement would override the federal government's water policy in a conflict and also federal and provincial laws and regulations.

The evidence presented suggested the inclusion of water in the Agreement. Many members expressed strong opposition to this provision. The possible diversion of

fresh water heightened the issues of sovereignty, environmental complications, the validity of the federal government's water policy and questioned the significance of a recent resolution by the Province of Ontario, which stated generally that the Legislature has condemned any attempt to link free trade with diversions of Ontario's water resources. The water issue is addressed subsequently in the section on the implementing legislation.

The Committee has concluded that the provisions of the Agreement fail to assure Canada's sovereign control over its water resources. Unless amendments are made directly to the Agreement, its provisions may override both federal and provincial water policies, laws and regulations in the event of conflict between Canada and the United States.

The Agreement will have an impact on the provinces in the energy sector. As consumers and producers, the extent to which the Agreement directs the provinces in the use of natural resources is of major interest to the Committee with respect to management and development.

The opinions of the Committee members on the energy and natural resource articles of the Agreement were reflective of the perspectives demonstrated in the hearings and in the briefs. The issues such as the loss of sovereignty, the protection of Canadian fresh water resources, the possible economic benefits of new jobs and new financing for economic development, and the problematic subsidy issue, were the central themes in the debate on resources. The softwood lumber tax case was seen to be a major point of contention which some felt should have been resolved immediately in the legal text to affirm the spirit of the Agreement. The outstanding issues of legislative independence in setting policy and programs, such as economic development initiatives are challenged by the basic objectives of the Agreement. Members were made aware of the proportional access provision, the limited supply of energy resources and the limitations imposed on government to manage energy trade. More generally, the loss of sovereignty and possible restrictions on government's industrial development assistance were discussed in the context of the free trade market philosophy.

There has been a great deal of difficulty in the debate in attempting to resolve differences in these areas given the very distinct perspectives on the energy issue. The forest industries and the resource sector's vulnerability generally to the exchange rate was discussed as being one of the most critical variables beyond the

control of the firms. Ultimately this factor has a major role in determining the marketability and market-share of a given resource product such as lumber.

Finally, the restrictions in preferential energy pricing, compromises in domestic energy supply, the possibility of higher consumer rates and depleting Canadian reserves were argued against by the proponents of the Agreement who made the case for the benefits of an enhanced U.S. market and new Canadian employment opportunities.

The Committee is of the opinion that the energy sector was not a subject of the free trade negotiations until the final stage prior to the signing of the Agreement. The energy provisions of the Agreement represent a major concession by Canada in the negotiations and the provinces were not consulted in any meaningful way about the contents of the energy chapter of the Agreement. Concern has been raised about the implications of the Agreement upon the ability of federal or provincial governments to pursue energy policies aimed at promoting energy efficiency and conservation and to use energy pricing as an instrument of regional economic development.

The Committee has concluded that the energy provisions, negotiated in haste, would seriously impair Canada's ability to conduct an independent energy policy and would preclude future governments from introducing a comprehensive energy policy. Of particular concern is the threat to Canada's ability to price domestic energy at a level below that of exports and to use lower energy prices as an economic development tool. The Agreement threatens Canada's security of supply by requiring that the U.S. be given proportional access to Canadian energy supplies even in times of shortage. This continentalization of Canada's energy policy framework is a marked departure from practices which have effectively served Canadian interests since Confederation.

Trade in Automotive Goods

The automotive provisions of the Agreement are addressed in Chapter 10. According to the federal assessment of the automotive trade articles, The Canada-U.S. Free Trade Agreement retains the Auto Pact and its safeguards for current participants. Under the Auto Pact, Canadian automotive firms have to produce approximately as many cars as they sell in Canada and to achieve a Canadian value added in excess of 60 percent of the value of cars sold in Canada.

Under the Agreement's rules of origin for duty free automotive trade, 50 percent of a vehicle's direct production costs will have to be incurred in Canada or the United States. The federal government estimates that the Agreement's rules of origin are the equivalent of 70 percent of the requirement on the Auto Pact basis and that these provisions will encourage the sourcing of more parts in North America. Automotive duty waivers and remissions will be phased out, as will the Canadian embargo on used vehicle imports.

The trade in automotive products was of major interest to the Committee members, understandably, given the importance of the vehicle manufacturing to the Province of Ontario. Approximately 12 groups, which included the Automotive Parts Manufacturers' Association of Canada, the Canadian Auto Workers, the Japan Automobile Manufacturers' Association of Canada, the Ministry of Industry Trade and Technology, the Motor Vehicle Manufacturers Association and the Canadian Alliance for Trade and Job Opportunities, made references to this section of the Agreement.

The Automotive Parts Manufacturers' Association of Canada (APMA) addressed several major industry concerns which include over capacity and trade policy. The Association feels that there is a need for a comprehensive strategy to address these issues in the context of The Canada-U.S. Free Trade Agreement. At the centre of its assessment of the Agreement is the conclusion that the Auto Pact safeguards will be inoperative, and that the 50 percent North American direct cost of production requirement for duty-free trade between Canada and the U.S. is too low. The Association endorsed a 60 percent level which it feels is necessary to encourage further investment in Canada. The APMA feels that the 60 percent level is necessary to ensure that companies qualifying for the duty-free movement of vehicles in North America would be producing engines, transmissions or electronics in North America. The Association wants the manufacturing of component parts of the vehicle, which require specific expertise, to stay in Canada in addition to assembly jobs. It was pointed out that the Agreement will require Canadian firms to compete with those in the U.S. and low cost international producers.

The Canadian Auto Workers (CAW) stated in their submission to the Committee that the only improvement in the Auto Pact was for the American multinationals who saw the penalty on meeting the Canadian safeguards weakened. CAW feels that the Agreement would limit Canada's ability in the future to have an auto policy. It does not endorse the 50 percent North American content rule. A major

concern is job loss and it was suggested that the parts industry and the investments in place or announced by overseas firms are primarily in the U.S. In conclusion, CAW refers to the Auto Pact as managed trade with commitments to Canadian jobs and investment. Without such guarantees it is felt that the Ontario auto industry will suffer under free trade.

Officials from the Ministry of Industry, Trade and Technology pointed out that the Agreement would have serious consequences for the continuing operation of the automotive agreement. According to the Ministry, the elimination of tariffs would significantly undermine the mechanisms which protected the production safeguards which have been of central importance to the Auto Pact. Furthermore, it was felt that the Agreement would refuse the admission of offshore auto producers to the Auto Pact which could discourage future foreign investment in Canada and associated innovative foreign technology.

Representing selected Japanese interests, the Japan Automobile Manufacturers' Association of Canada (JAMA) did not appear before the Committee because the Association had not reached a conclusion on the Agreement. Nevertheless, in its written brief, JAMA stated its support for the principles of free trade and the GATT system. The Association pointed out that denying Auto Pact or Auto Pact-like benefits under any circumstances discriminates in a competitive sense against non-Auto Pact companies. Securing duty-free access to the U.S. and Canadian markets is seen to be positive, and JAMA outlined its concern about the difficulty in meeting a tougher rule of origin that contains no phase-in provision. Finally, their brief points out the potential problems associated with the proposed elimination of both duty drawback and the duty remission programs.

The Canadian Alliance for Trade and Job Opportunities (CATJO) presented a differing perspective on the Trade in Automotive Goods section. The CATJO examined the impact of the Agreement on businesses and believes that employees in Ontario will benefit. According to the Alliance, the Agreement has served to enshrine the original terms of the Auto Pact that provide for Canadian safeguards in the form of production-to-sales ratios and Canadian value-added requirements. Furthermore, the CATJO has concluded that the U.S. would have abrogated the Auto Pact, if the Agreement on free trade had not been reached. The rules of origin for non-Auto Pact members, according to its brief, ensure that a greater percentage of North American parts will be purchased by offshore automakers. The Motor Vehicle Manufacturers' Association (MVMA) has recognized that the objectives of

the Auto Pact such as integration with the U.S. industry have been achieved. The MVMA members, according to their statement before the Committee, believe that the Agreement will further advance the Canadian auto industry as a partner in the North American industry. The Association stated that the benefits of the Canadian version of the Auto Pact have been recognized and retained. It is suggested that the auto parts supplier industry in Ontario should endorse the Agreement and that assembly and manufacturing in North America can compete in the Canada/U.S. market with full participation open to competitive Canadian suppliers.

The Committee members' various interests in the automotive field reflect both support and concerns for the articles. Those opposed are apprehensive of the consequences of excluding others from the Auto Pact and it is felt that this could alter Canada's independence in setting policy and programs. The Auto Pact could be cancelled by either party with a one year notice. Some members were of the opinion that the Agreement would prevent new investment which was possible under the duty remission format and furthermore, that the extent to which Canada will be able to attract new investment without offering Auto Pact status could limit Canadian options. There is some worry that the sales and production obligations formula will effectively undermine the Auto Pact. There is general concern that the Auto Pact would be further challenged by supplier production from Mexico which does not have the labour standard requirements and wage rates of Canadian firms. The Agreement could result in a discriminatory auto vehicle policy, operating on two levels for offshore and North American producers.

The potential loss of investment in Ontario is a major issue. Several factors suggest a possible loss of investment due to international competitiveness and exchange rate movements. Canadian social programs and environmental and health and safety standards are a high priority and were taken into account in the discussions on the future of the auto industry. It was more difficult to decide conclusively on how the Agreement would stand up in the future in the projected over supply scenarios of the 1990s with offshore competition and in the face of possible future protectionist initiatives and GATT decisions. Finally, members recognized the challenge of future industrial restructuring in an increasingly competitive global economy and stressed the need to consider meaningful adjustment programs particularly with a focus on auto workers.

The Committee has grave concerns about the fairness of grandfathering membership in the Auto Pact - especially in view of the propensity of many offshore companies in the period leading up to the Agreement to establish a major component of their North American production capacity in Canada. Preventing these companies from joining the Auto Pact may lead to a challenge in the GATT. The Automotive Products Agreement signed in 1965 is a successful model for sectoral trade on a North American scale.

In summary, some members of the Committee have concluded that the Auto Pact has been eroded by the Agreement. The federal government had given assurances that the Auto Pact was not part of the negotiations. The proposed provisions would reduce the effectiveness of the Auto Pact partly because the elimination of tariffs would undermine the Canadian production safeguards.

The Committee has concluded that the Auto Pact has been effectively dismantled. The provisions of the Agreement fail to ensure that Canada maintains a fair share of North American automobile and automobile parts production in the long term.

Government Procurement

Chapter 13 of the Agreement establishes the terms for government procurement. The federal government's summary of the procurement section in the Agreement concludes that it attempted to expand access for each other's suppliers to purchases by government, at the federal level only. There will be further bilateral discussions between Canada and the U.S. subject to the renegotiated GATT code. The matter applies to procurement at the federal level which is addressed in the GATT Government Procurement Code and the procurement articles apply to goods or services not essential in the delivery of goods. The articles establish procedural regulations and national treatment to suppliers subject to certain national security precautions. Both the U.S. and Canada exclude some government departments and agencies.

Since this chapter is directly applicable to the federal government, the debate was less specific than was the case in the analysis of other provisions. Some delegations and written briefs, including those from the Business Council on National Issues, the Canadian Alliance for Trade and Job Opportunities and the Canadian Manufacturers' Association, addressed the chapter directly. Other organizations referred to government procurement through tangential references to other issues.

The Business Council on National Issues (BCNI) would have preferred more progress in the dismantling of purchasing restrictions in the public sector, but the Council feels that the Agreement has opened new opportunities. The BCNI estimates that domestic suppliers will have access to more U.S. government procurement contracts. Furthermore, the BCNI feels that this market expansion will improve economic efficiency which will help to control procurement costs and improve export competitiveness.

The Canadian Alliance for Trade and Job Opportunities is of the opinion that the government procurement provisions, as well as other provisions which include investment, will help to broaden opportunities for Canadian firms and enhance employment.

The Canadian Manufacturers' Association (CMA) expressed the opinion that in pursuing greater access to the U.S. market in government procurement, the Agreement does not demonstrate substantial progress. Nevertheless, the commitment by both parties to further negotiations is an important achievement according to the CMA. The Association recognizes the purchasing value of government in either country and suggests that further negotiations should be vigorously pursued in the future.

Government procurement was discussed in terms of potentially new market areas for Canadians to pursue. Committee members had concerns that Canada would still encounter difficulty increasing its share of this market under the Agreement. The defense sector is potentially the largest U.S. government market and Canadian suppliers are largely restricted. The total federal government procurement by the U.S. in 1986-87 was approximately U.S. \$200 billion, and of this expenditure, more than three quarters was used by the Department of Defense on the procurement of goods and services. Currently ten percent of U.S. government procurement is open to foreign suppliers under the GATT code, and the Agreement would only increase this share for Canada by approximately one percent. This sector is seen by some Canadians to be a major subsidy for U.S. industry.

Related subjects of interest in the Committee's evaluation of government procurement included plant closures; the competitiveness of Ontario industry; the threat of U.S. trade actions without a subsidy code; the impact of exchange rates and future protectionist challenges. The Committee members recognize that these obstacles effectively restrict access of Canadian industry to the U.S. government

procurement market, despite the national treatment provisions of the Agreement in other areas of commerce.

The Committee has concluded that Canada has not realized the second key objective of greater access to the U.S. market by failing to obtain more than a marginal increase in access to the U.S. government procurement market. The Committee is particularly disturbed that the Agreement would not address the unfair support provided to American industries by U.S. Defense Department purchasing.

Services

The Services provisions of the Agreement, in Chapter 14, address obligations for services and the temporary entry provisions. An overview by the federal government suggests that both parties have agreed to a set of disciplines covering a large number of service sectors and that each will extend the principles of national treatment, right of commercial presence and right of establishment, consistent with the investment provisions to each other's providers of services.

The Committee received approximately 17 delegations and written statements which addressed the trade in services articles. These included the National Action Committee on the Status of Women, the Ministry of Consumer and Commercial Relations, the Coalition Against Free Trade and the Ontario Coalition for Better Daycare.

The National Action Committee on the Status of Women (NAC) recognized the dominance of U.S. firms in the areas of international trade in services and suggested that the entrance of these service companies into foreign markets is a major consideration in fields such as data processing. NAC suggests that industrial countries are in fact service-oriented societies with the service sector dominating the economy in terms of national income. This group is particularly concerned that an impact assessment has not been carried out for the service industry in Canada when approximately 70 percent of the labour force is employed in this sector. The service sector includes domestic services, transborder trade and the future establishment of new service firms in Canada by the U.S. A major thrust of the presentation centred on the effect on social services, many of which are covered in the annex materials of the Agreement, such as health care. It has been suggested that Canadian social services could be compromised by the U.S. presence and that U.S. firms

may have access to government subsidies and funding in Canada. Women's groups are particularly concerned about the possible shift away from non-profit agencies and any future restrictions on the spending of government money on social services. The right of establishment, national treatment and monopoly references in conjunction with the services chapter could, under the Agreement, substantially alter the future of the service sector in Ontario.

The Province of Ontario has regulatory responsibilities which have a direct impact on businesses in the service sector. The Ministry of Consumer and Commercial Relations has a major interest to ensure consumer protection. The Ministry is concerned with its ability to continue to develop legislation in the area of differential consumer protection under the Agreement. Potential problems could arise if this legislation is seen to be discriminatory. The Agreement requires conformity in any new legislation which, according to the Ministry, could challenge its current review of consumer protection legislation. In cases where Ontario laws in this area differentiate between Ontario residents and non-residents, the licensing and residency requirements could be challenged in new provincial legislation.

The Coalition Against Free Trade has a diverse membership including trade unions, farmers and women's groups. The Coalition's focus was on the ways in which the Agreement restricts policy options at the provincial level. It was suggested that the Agreement would affect many areas in which the province has shared and exclusive jurisdiction such as health care and professional accreditation and that if the federal government proceeded to ratify the Agreement against provincial opposition, this would amount to a major shift in constitutional authority and an invasion of provincial powers.

The Ontario Coalition for Better Daycare pointed out that childcare is not listed as a tradeable service in the Agreement, although the Coalition is concerned about other provisions which may affect childcare in a tangential way. It was suggested in their brief that the provincial government may not be able to prevent American companies access to public funding for childcare in Canada. The group concluded in stating that childcare, health care, education and other human services should not be a trading matter.

The Ontario Coalition of Senior Citizens' Organizations completed the debate with many members acknowledging the importance of maintaining the Canadian way of life, as defined by the maintenance of social policies, programs and standards.

Committee members acknowledged that current practices in the services section are grandfathered and that it is possible to alter present practices if both parties concur. The service code sets out the principles of national treatment, the rights of establishment, commercial presence and transparency. These provisions will have full application to future laws and regulations. The temporary access provision was viewed positively as it could facilitate business trade over the border which has presented problems in the past for consultants and sales and servicing personnel. The dispute settlement mechanism can be used by either party to ensure against discrimination by either party, and whereas some members endorse this procedure, others are opposed to the potentially negative consequences for existing and future provincial legislation in the services area that may be subject to review. In discussions with the Coalition Against Free Trade, members were interested in the impact of the free market philosophy on social services and the potential consequences for new provincial legislation.

The apprehension over possible economic integration with the U.S. extended throughout many discussions with delegations. Some members expressed concern that past achievements by legislators and various interest groups could be compromised, for example, in the area of social services.

Investment

Investment guidelines are set out in Chapter 16 of the Agreement. The main elements according to a federal assessment of the investment articles are that the parties agree to provide national treatment to investors and not impose export, local content, local sourcing or import substitution requirements on investors. Existing laws, regulations and published policies are grandfathered and the Canadian threshold for the review of direct acquisitions will be \$25 million for the first year of the Agreement, and \$150 million by 1992. The review of U.S. indirect acquisitions will be phased out over the same period. Finally, existing laws, policies and practices are grandfathered, except where specific changes are required.

Approximately 17 submissions were received by the Committee on this subject, many of which were presented by delegations. Several representations were very helpful in identifying issues and clarifying positions. These included the Economic Council of Canada, Professor Fred Lazar, the Ministry of Financial Institutions and the Canadian Alliance for Trade and Job Opportunities.

The Economic Council of Canada concluded that Canada was successful in retaining a screening mechanism for major acquisitions of Canadian assets by foreign interests. The Council pointed out that Canada retains the right to review U.S. applications to acquire control of oil, gas, uranium enterprises, transportation services and cultural activities, and that both countries agree to materially reduce the performance requirements related to foreign investments such as local content and export or import requirements.

According to the most recent Statistics Canada figures, the foreign ownership of Canadian petroleum and natural gas industries declined from 52 percent in 1977 to 41 percent in 1983. Recent projections by Statistics Canada suggest that this trend could continue, but other sources such as the Petroleum Monitoring Agency reported this year that foreign ownership is on the increase in these industries. Statistics Canada's assessment is based on long term capital employed and the Petroleum Monitoring Agency assessment is based on net income.

Foreign direct investment has been an increasingly important subject for Canadian nationalists, most notably since the early 1970s. Professor A.E. Safarian, University of Toronto, discussed the matter of foreign direct investment with the Committee and noted that the federal government has gone to considerable lengths to persuade multinational enterprises that their investments are welcomed in Canada. With respect to the impact of the Agreement, he argued that Canada retains more or less its present powers to engage in a wide range of industrial policies, subject only to the investment and trade provisions of the Agreement. If such policies are trade distorting, they will be subject to U.S. trade law as they are now. Professor Safarian concluded that only a strong code on subsidies, binding both parties, would have changed this and such a code was not negotiated.

Professor F. Lazar, York University, spoke in opposition to the Agreement and concluded his presentation before the Committee in stating that government can play an important role in influencing the future course of development for the economy; trade policies should not preclude this role, and there is a superior alternative to the bilateral Agreement. The alternative would be continued liberalization of trade through multilateral and perhaps bilateral channels, with the condition that a freer trade agreement set out clearly the government policies which are acceptable and hence exempt from any form of protectionist retaliation.

The briefs submitted by the Business Council on National Issues suggested that it is unlikely that the higher investment review threshold in the Agreement will sharply increase foreign purchases of domestic assets as U.S. direct investment has been increasing at only a moderate pace and that the share of assets owned by foreign controlled, non-financial enterprises has fallen from 37% to 23.4% for the period 1971 to 1985.

The analysis presented by Professor Alan M. Rugman, University of Toronto, stated that the economy of the Province of Ontario is already well-integrated with that of the United States and that the Agreement does not change this, rather it merely recognizes this fact of economic life. He concluded that Canada's social policies are exempt and that sovereignty is retained, and he pointed out that the Agreement enshrines the principle of national treatment for direct investment in Canada and the U.S. He feels that Canada can have its own industrial policy through the use of imaginative tax and competition laws rather than discriminatory policies against foreign investment.

The Ministry of Financial Institutions noted the expropriation provisions in the Agreement as an area of interest to the province. The Ministry of Treasury and Economics addressed the possible implications on investment and suggested that the corporate structure of branch plants could influence the reactions of firms to the Agreement as another variable to be considered in an investment decision equation.

The investment provisions raised numerous related issues in the hearings process including the fundamental arguments on sovereignty and Canadian life-style, as well as possible longer term implications such as the exodus of existing manufacturing firms. The southern U.S., it was suggested, may be an attractive alternative because of lower wages and less stringent and comprehensive social programs and health and safety standards in the work place.

The discussions with the various delegations and the written submissions drew attention to the national treatment provision for investors and changes to the effectiveness of Investment Canada. Whereas some members felt that the investment articles in Chapter 16 would ensure that Canada would be viewed favourably for future investment, others addressed the issue of possible restraint on government policy options which has sovereignty implications. Furthermore,

Ontario's laws in regulating investment in business and the entrance of government into a monopoly situation such as auto insurance, could lead to problems within the terms of the Agreement. The exemption of national treatment provisions in the sale or purchase of government businesses or Crown corporations, and the grandfathering of oil and gas takeover policies have been addressed in the hearings process and were supported by some members of the Committee.

In addition to the members' objections to a continental focus on perspectives on economic and political levels, the Committee attempted to gain a clear statement on the possible winners and losers, given the multiple decisions such as exchange rates, that could affect investment decisions. The Committee focussed on the possible consequences of the dislocation of workers in plant closures and the need for new investment in research and development to generate quality jobs requiring specialization which could sustain further economic growth. The possible loss of offshore auto investment and the new technology of the foreign auto firms, the cost of rationalization for many firms, and vehicle over supply forecasts in the early part of the next decade are some of many problems which must be reconciled with the terms of the Agreement.

The Committee has concluded that the investment provisions represent a significant shift in the Canadian approach to dealing with foreign investment by sacrificing the future flexibility of both the Canadian and provincial governments to ensure that appropriate benefits from foreign investment are obtained.

Financial Services

Financial Services are addressed in Chapter 17 of The Canada-U.S. Free Trade Agreement. The federal government's summary overview of the Agreement concludes that the articles preserve the access that Canadian and U.S. financial institutions have to each other's markets and open new areas in securities, underwriting and banking.

Several delegations appeared before the Committee to discuss the implications of the financial services articles and numerous submissions discussed the advantages and costs in this sphere of commercial activity. The Business Council on National Issues, the Canadian Bankers' Association, the Ministry of Financial Institutions, and the Trust Companies Association of Canada Inc. are referred to in this section.

The Canadian Bankers' Association (CBA) stressed that in its opinion the central feature of financial services that makes it different from merchandise trade is the right of access. The Association discussed the importance of this concept in relation to national treatment and stated that it means, in their view, that institutions will be treated in the host country on exactly the same terms as its own institutions. The CBA's view is that this was not a suitable basis of negotiation because it would not give symmetrical access to the U.S. market because of at least two constraints. Firstly, the U.S. does not have a national banking system, but rather a state-controlled system, with state regulations, which does not have coast-to-coast access. Secondly, in Canada, the trend is toward the merging of commercial and investment banking, whereas the U.S. has not done this to the same extent. In conclusion, the Association feels that the deal will not be very good for banks.

The Agreement offers opportunities for new trade for financial institutions, according to the Business Council on National Issues. The BCNI pointed out that financial reforms are required in the U.S. to give Canadians the same rights as the U.S. will have in Canada. Their brief pointed out that foreign ownership restrictions will be lifted from Canadian-controlled financial institutions and one shareholder will be limited to 10 percent ownership.

Officials with the provincial Ministry of Financial Institutions presented an overview of the potential implications of the financial services provisions. The principle of national treatment, according to the Ministry, does not mean that Canada is obligated to match or harmonize its rules with the U.S., but it does require generally that the rules do not discriminate. It was noted by the Ministry delegation that the provisions of this Chapter do not apply to provincial or state laws and hence only cover federal provisions and further that the Chapter is directed essentially at chartered banks which are strictly within federal jurisdiction.

The Trust Companies Association of Canada Inc.'s position is that within the financial services industry, trust companies are better placed than most to take advantage of the new opportunities and it can see nothing to fear in the Agreement for at least three reasons. The trust companies are well capitalized and do not have significant problems with either foreign or domestic non-performing debt; they see themselves to be among the most innovative and competitive institutions in the financial services; and lastly, new federal and provincial legislation will allow trust

companies to broaden the services which can be offered to Canadian consumers and businesses. The Association noted that foreign financial institutions have been allowed to establish trust and loan companies in Canada for some time and therefore can be involved in consumer financial services, but that there has not been an influx of foreign competition. It was further suggested that government mechanisms are in place to ensure that any takeovers of Canadian trust and loan companies are in the public interest, which is a new provision in the Agreement. Finally, the Trust Companies Association of Canada Inc. feels that the Agreement will benefit Canadians and that it will not expose the financial services industry to unreasonable competitive threats.

The debate on financial services raised several important concerns in the Committee's hearings. Some members were concerned about whether the U.S. financial institutions had gained more than Canadian firms in terms of access to the other's financial markets and the extent to which national treatment would compromise Canadian options to maintain controls in this sector, given the exclusion of provincial laws. It was felt that provincial legislation may be subject to the Agreement in the future in areas of shared jurisdiction.

Members had specific concerns in areas including the status of the proposed amendments to the Glass-Steagall Act. At present this Act prohibits banks from dealing in most securities in the U.S. It was suggested that if and when the Act is changed for American banks, Canadian banks would then receive the same treatment. It should be noted that since the appearance of the Ministry of Financial Institutions before the Committee, proposed changes to the Glass-Steagall Act were approved by the U.S. Senate in March 1988 and, as of August 1988, are before committees of the House of Representatives. As well as proposing legislation on insurance and consumer protection issues, both bills allow member banks of the Federal Reserve System to affiliate through a parent holding company with firms that underwrite and sell securities, subject to certain conditions. These conditions include stringent capital requirements that reportedly would exclude many of the U.S. major banks. If and when this Act is amended, Canadian financial institutions would be interested in the implications of this new financial environment.

More generally, members expressed interest in the longer term implications of the provisions of the Agreement in areas such as the ownership of financial institutions. A central issue is the removal from the Bank Act of the limit on the aggregate asset

base of schedule B - American banks. The entrance of U.S. banks into Canada could alter dramatically the current market share distribution between the schedules A and B banking institutions.

The subject of consumer protection, an important provincial interest, was raised with the Trust Companies Association of Canada, Inc. At issue is the need to ensure that citizens of Ontario are protected against foreign firms offering financial services. This issue was seen to be an example of possible future problems in cross-jurisdictions.

Finally, members were interested in the long-term consequences for small businesses and the fact that the financial services provisions should not be seen to discriminate against or restrict the ability of small firms to borrow, in a much larger continental system.

Institutional Provisions and Binational Dispute Settlement

Institutional Provisions and Binational Dispute Settlement in Antidumping and Countervailing Duty Cases are covered in Chapters 18 and 19 of the Agreement. The main elements of these Chapters, as summarized by the federal government, provide that a dispute settlement mechanism will guarantee the fair application of the respective antidumping and countervailing duty laws of both countries. Either government may request a binational panel to review final antidumping or countervail determinations. Panel decisions will be binding. Any new legislation will not apply to the other country unless it is specified. A binational panel may review such proposed legislative changes and issue opinions. Both governments will attempt to develop and implement a substitute system of countervail and antidumping laws within seven years and under the institutional provisions of The Canada-U.S. Free Trade Agreement, a trade commission is to be established to resolve disputes.

Approximately 25 delegations and several written submissions discussed the binational dispute settlement articles. These included, by way of example, Professor W.C. Graham, the Ministry of Natural Resources, the Ontario Federation of Labour, the Canadian Manufacturers' Association, the C.D. Howe Institute and the Ontario Public Service Employees Union. The following is an overview of some of the central issues.

Professor W.C. Graham, Faculty of Law, University of Toronto, addressed the role of the Commission from a Canadian perspective and concluded that the references

in the Agreement are summary and that only future experience will enable the practitioners to know how it will work in practice. Further, he felt that the Commission should meet more than once a year as provided, perhaps on a permanent basis. Experts are required on a full-time basis to avoid the risk of being a body which will respond only to domestic political pressures and, if not, it will tend to contribute to problems. Professor Graham concluded his paper in stating that the Agreement is sketchy on this important institution and the parties' willingness to create an infrastructure adequate to ensure the establishment of truly binational institutions, according to Mr. Graham, will ultimately determine the effectiveness of the Commission and the Agreement itself.

Representatives from the Ministry of Natural Resources (MNR) expressed several reservations over the Agreement which included the process of settling disputes. The Ministry stated that some may endorse the binational panel, Article 1901, to give final review to cases of U.S. countervail action, but according to Ministry officials, the panel would do nothing to discourage actions by U.S. producers against Canadian resource exports. According to MNR, the mandate of the panel is to review the cases to see whether U.S. law has been followed.

The Ontario Federation of Labour (OFL) pointed out that the disputes mechanism offers little and the costs associated with unfair and capricious countervail in the U.S. will continue. Furthermore, the OFL has criticized the mechanism in the disputes process because the Agreement allows 315 days for the delivery of a ruling and then it allows for an extraordinary challenge which presents a costly time frame. Finally, it was concluded by the Federation that the panel will be severely restricted on the grounds on which it can issue decisions for at least the first seven years. The delegations are of the opinion that it will be restricted to determining whether or not national law, broadly defined, was followed.

Lastly, the Canadian Manufacturers' Association (CMA) feels that the Agreement provides for the creation of binational panels that would make binding judgements on disputes about the terms of the Agreement and on the application of each other's trade laws. The panel procedure, on antidumping and countervailing duty cases, establishes, in the opinion of the CMA, the central principle which protects Canadians from the unilateral interpretation of U.S. laws and from political manipulation.

The discussions on the effectiveness and value of the institutional provisions and the binational dispute settlement have raised several important perspectives. The extent to which the decisions are binding has been addressed and some members of the Committee have concluded, that it is unclear whether the procedures established in the Agreement provide a binding arbitration mechanism in all circumstances. This matter may not be resolved until such time that cases arise in which a party fails to adhere to a Commission decision.

The fact that the provinces will not be party to the dispute settlement process was raised during the hearings, which does in some respect run counter to the evolving Canadian tradition of consulting the provinces in federal-provincial matters in cross-jurisdictional constitutional areas. The Committee feels that the Government of Ontario was largely excluded from the negotiations stage. One of the main concerns with the Canada-United States Trade Commission is in cases in which the parties can not resolve differences and retaliation becomes the option. The provinces' measures are taken into account in the institutional provision mechanism of the Agreement, as noted by members of the Committee, but not in the dispute settlement binational panel resolution procedures. Ontario's principal concerns remain that U.S. trade remedy laws are still in place, and the provinces are still excluded from the bilateral dispute settlement mechanism.

The Committee has concluded that the dispute settlement mechanism fails to provide the Canadian provinces with an opportunity to voice legitimate concerns, even in those cases where the dispute involves a provincial practise.

The Committee is of the opinion that the dispute settlement mechanism in the Agreement did not meet federal government objectives or those of the Government of Ontario and that the settlement of these trade disagreements is further complicated by the lack of agreement on the subsidy issue. The Committee believes that the binational dispute settlement mechanism is of little net benefit to Canada because it will simply determine whether domestic trade laws were correctly applied.

The Committee is of the opinion that the federal government has failed to obtain the guarantees of national treatment with respect to the settlement of trade disputes. The objective of securing market access has not been achieved and the proposed institutional provisions are not adequate.

IMPLEMENTATION OF THE AGREEMENT

The future of the implementing legislation in Canada for The Canada-U.S. Free Trade Agreement, formerly Bill C-130, is now uncertain following the announcement of the November 1988 federal election.

The implementing legislation for the Agreement in the U.S. is accompanied by the Statement of Administrative Action, transmitted to the Congress by the President. The President of the United States signed the U.S. implementing legislation, the U.S.-Canada Free Trade Agreement Implementation Act of 1988 in September, 1988.

The original implementing legislation in Canada covered the following areas: the General Implementation, the Procurement Review Board, Amendments to the Special Import Measures Act, Related and Consequential Amendments and Transitional and Coming into Force provisions. The proposed amendments would affect 26 existing statutes not in conformity with the Agreement.

The Act was referred to the Parliamentary Committee on Bill C-130 which reported on August 10, 1988. Although the majority of the amendments were of a minor nature, several substantive amendments were made. The federal Parliamentary Committee attempted to address the water issue by exempting it from the terms of the bill; however, most members of this Committee are of the view that this amendment was not effective because of a loophole in the Agreement itself. Additional amendments of the Parliamentary Committee on Bill C-130 addressed the retransmission of local and distant telecommunication signals and the National Energy Board Act. The section on regulations respecting export prices for energy in the amendment specifically names the United States rather than the general reference to a prescribed country.

A legal analysis of the Agreement, prepared by the Ministry of the Attorney General stated that the federal government may act directly on provincial measures, asserting its primacy over them, by passing federal legislation that makes inconsistent provincial laws inoperative or that precludes new provincial initiatives that would be inconsistent with the Agreement. The federal government may assume regulatory authority over works and undertakings by declaring them to be "for general advantage of Canada." It may be able to disallow provincial laws.

The Government of Ontario has recently introduced several pieces of legislation. The Legislature has given first reading to Bill 147, An Act respecting Independent Health Facilities and Bill 168, An Act to amend the Power Corporation Act. Bill 167, An Act to revise the Wine Content Act received Royal Assent on June 29, 1988. Bill 175, An Act Respecting Transfers of Water received first reading on June 29, 1988.

The purpose of Bill 175 is to ensure for Ontario and Canada a secure supply of water. The Bill prohibits the transfer of water out of a provincial drainage basin without the approval of the Minister of Natural Resources. The Minister is authorized to attach conditions to an approval and to require payment for a transfer of water. Approval will be refused or revoked if the Minister is of the opinion that the transfer is or may be detrimental to ensuring a secure water supply for Ontario or Canada or any part thereof.

Bill 168's explanatory notes point out that the Lieutenant Governor in Council may make regulations authorizing the Corporation (Power Corporation Act) to participate in economic development programs in respect of specific regions of the province. The Corporation is allowed to supply power to customers outside Canada only if that supply is surplus to the reasonably foreseeable power requirements of Ontario customers and other customers in Canada. The price for supplying power to customers outside Canada is required to be enough to recover the appropriate share of costs and more than the price charged to customers in Canada for equivalent service. The Board (Power Corporation Act) is required to ensure that the requirements for power of Ontario customers and other customers in Canada are met before meeting the requirements for power of customers outside Canada. All of these provisions are made to apply despite the Agreement entered into between the government of Canada and the U.S.

Bill 147 would authorize the establishment and operation of independent health facilities. Under the Bill, the Minister of Health will decide upon the need for such a facility and will call for proposals. This Bill restricts the right to charge facility fees to licensed independent health facilities. An exception is made for one year for those facilities in operation when the Bill receives first reading.

The explanatory notes for Bill 167 outline that the purpose of the Bill is to replace the Wine Content Act. A winery that complies with regulations controlling the use

of imported grapes and grape product in the manufacture of wine is exempt from the Liquor Licence Act and the Liquor Control Act in respect of the sale of wine made from imported grapes or grape product. The new Act, on its face, is repealed on the 31st of December, 2000.

LIST OF RECOMMENDATIONS

The Committee recommends that:

1. On the basis of considerations brought forward in this report, the proposed Canada-U.S. Free Trade Agreement be rejected unless fundamental changes to the Agreement are realized. The Committee, while supportive of trade liberalization, believes that the Free Trade Agreement in its present form represents a bad deal for Canada.
2. The Government of Canada petition GATT authorities to determine whether the U.S. Omnibus Trade and Competitiveness Act of 1988 is consistent with the General Agreement on Tariffs and Trade.
3. The Government of Ontario support the continuing discussions among the provinces for the purpose of reducing interprovincial trade and labour barriers. The Committee believes that the interprovincial barriers to trade and labour mobility should be reduced.
4. The Province of Ontario must do everything in its power to preserve the areas of provincial jurisdiction and its sovereign right to control its own way of life; and that the Government follow the advice of the best legal and constitutional counsel available so as to ensure that, in the long run, our ability to conduct our own affairs is preserved.
5. The Government of Canada develop and fund adequate labour adjustment and skills training programs to ensure fair and equitable treatment of Canadian workers who are affected by dislocations and adjustments arising from the Free Trade Agreement.
6. The Government of Canada undertake to amend the Agreement with a view to:
 - maintaining Canada's ability to price domestic energy at a level below that of exports;
 - ensuring that Canada has full flexibility to use low energy prices as an economic development tool;
 - amending the requirement that Canada provide the U.S. with proportional access to Canadian energy supplies even in times of shortage; and

that the Government of Canada continue to exercise its authority in the energy field by preserving the option to apply differential pricing for natural resources used by Canadians.
7. The Government of Ontario implement a program to reduce energy prices in economically disadvantaged areas such as Northern Ontario to encourage economic development in those regions of our province, while at the same time presenting a direct challenge to the dangerous energy provisions of the Free Trade Agreement.

8. The principles embodied in the Auto Pact as signed in 1965 be utilized wherever possible in future international trade negotiations in order to ensure that Canadians maintain a fair share of jobs and investment.
9. The Government of Ontario strengthen its domestic buy-Canadian procurement policies as a means of enhancing economic growth and job creation in Ontario and Canada.
10. The Government of Ontario develop and implement policies to the limit of Ontario's constitutional jurisdiction, in order to maintain and enhance Canadian control of vital resources and industries.
11. In view of the Committee's opinion that the dispute settlement mechanism in The Canada-U.S. Free Trade Agreement is inadequate, the following recommendations as outlined by the Select Committee on Economic Affairs in its final report of 1986, Ontario Trade Review, be accepted:
 - A bilateral trade dispute resolution tribunal should be set up to arbitrate trade disputes expeditiously as they arise between Canada and the United States and to enhance public information on bilateral issues. This tribunal should be established regardless of the outcome of any trade enhancement negotiations.
 - The tribunal that is agreed upon by both countries should provide sufficient scope and prospect for eliminating any bias or influence that could be caused by the disparities between the participants.
 - This tribunal should be composed of balanced representation and should consider all information pertinent to the trade dispute. The tribunal should be empowered to determine the facts in the dispute and to provide the Government of Canada and the Government of the United States with their conclusions and decisions in a timely manner. These decisions should be binding on both governments to the fullest possible extent.
 - In the cases of disputes over subsidies, the tribunal shall consider the balance of government benefits for an industry on both sides of the border in its determination of the facts.
12. The Government of Canada engage in efforts to strengthen the multilateral system of trade and reduce the impediments to trade internationally through the General Agreement on Tariffs and Trade.
13. The Government of Canada regard the talks on the General Agreement on Tariffs and Trade, including the Montreal mid-term review of the multilateral trade negotiations in December, 1988, as the primary vehicle for opening up and enhancing Canada's international trading opportunities.
14. The Government of Canada strengthen the role of the General Agreement on Tariffs and Trade in the arbitration and expeditious settlement of trade disputes and the enforcement of its decisions.

15. The Government of Canada use the new round of negotiations under the General Agreement on Tariffs and Trade as a way of preventing further damaging consequences to world agricultural trade. These negotiations should give priority to establishing a set of international rules to balance the conflicting needs of the agricultural industries in both developed and developing nations.
16. The Governments of Canada and Ontario make greater efforts to expand and diversify trading relationships with other countries.

APPENDIX A

The Dissenting Opinion of Mr. Bob Mackenzie and Mr. Karl Morin-Strom

NDP Dissent from the Report on the Canada-U.S. Free Trade Agreement Prepared for the Standing Committee on Finance and Economic Affairs

The New Democrat members of the Standing Committee on Finance and Economic Affairs cannot agree with the perspective of the majority.

New Democrats have opposed from the outset the comprehensive bilateral trade negotiations between Canada and the U.S. Our position has always been clear and consistent. The text of the Free Trade Agreement (FTA) and the federal government's implementing legislation only reinforce our belief that this trade deal severely restricts the ability of our governments to maintain and pursue economic, social and cultural policies designed to benefit Canadians.

That is why we are unequivocally calling for the termination of the Agreement. No amount of tinkering or amendments can make this deal beneficial to Canadians.

Our Conservative colleagues on this Committee took a stand directly opposed to us. We disagree with them but we know where they stand.

We are more dismayed by our Liberal colleagues who have consistently avoided committing themselves to a solid position, initially on the free trade negotiations and now on the deal itself.

During the provincial election last year Premier Peterson promised that there would be no trade deal unless six conditions were met. None of his conditions were met yet the Liberal majority in Ontario, and on this Committee, still refuse to say that this deal should be scrapped. The Liberal members of this Committee would not endorse the position being taken by their federal leader that the free trade deal should be ripped up.

Our proposed recommendation that this trade deal be unconditionally rejected based on the considerations set out in this report was defeated by both the Liberal and Conservative members of this Committee.

The approach taken in many of the recommendations made by the Liberal members was to recommend the Government of Canada renegotiate sections of the agreement which are causing concern. Indeed many of the recommendations

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presented to the Committee were in fact conclusions or statements and not specific recommendations.

Recommendations calling for the federal government to renegotiate certain sections of the FTA are at odds with reality because the FTA has already been passed by the U.S. Congress and signed by Ronald Reagan. The U.S. has made it perfectly clear that there can be no further changes. And of course why would the Americans accept any changes? They got exactly what they wanted from this deal.

Canada however, failed even to achieve its main objective, that of exemption from protectionist U.S. trade law. Despite the FTA having been passed by the U.S. Congress, Canada was not exempted from the U.S. Omnibus Trade Bill and more recently Congress has introduced further protectionist legislation that does not exclude Canada and violates the standstill provisions of the FTA. The fears and doubts that we have been expressing since the negotiations began are being proven correct.

We can't stress enough our passionate belief that the Mulroney trade deal threatens our independence and distinctiveness as a nation. Whether it's the sell-out of our regional development and social policies because common rules on subsidies will be worked out as part of the deal; the free hand given U.S. companies to take over and shut down Canadian companies; the U.S. right to retaliate against new cultural moves by Canada; the way Canada becomes part of a continental energy market; the right U.S. medical clinics and labs will have to establish in Canada bringing with them their profit-oriented approach to health services; or the monopolies clause which ties the hands of provincial governments wishing, for instance, to start new auto insurance plans; the power to chart our own future course on economic, social, and cultural matters has been replaced by the American ideology of free market forces with little or no government interference.

New Democratic Party members on this Committee tried to amend many of the Liberal recommendations to strengthen them and incorporate specific actions to be taken by the Government of Ontario rather than simply requests of the federal government. We were successful in a number of areas including:

- o stronger government purchasing policies;

- o reduced energy prices for areas such as Northern Ontario;

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- o policies to control our own resources and industries;
- o endorsing the principles embodied in the Auto Pact to ensure Canadians get a fair share of jobs and investment in our other industries; and
- o a GATT challenge to the U.S. Omnibus Trade Bill.

As New Democrats we urged a stronger commitment from the Government of Ontario that it will introduce legislation that will benefit Ontarians even if it is at odds with the Agreement and regardless of the outcome of the federal election.

New Democrats have been calling on the Ontario government to launch a court challenge with respect to those sections of the Agreement which impinge on provincial jurisdiction. Unfortunately such a recommendation was not endorsed by this Committee.

We also urge that Ontario undertake the following:

- o strengthen requirements that Ontario resources be processed and refined in this province;
- o expand and strengthen Ontario's agriculture marketing board structure;
- o review Ontario's technical standards legislation with a view to exercising Ontario's full constitutional authority in this matter; and
- o immediately cancel Ontario's plans to deregulate the trucking industry;

While the Liberal government has not endorsed the Free Trade Agreement they have failed to take the decisive action necessary to clearly indicate that the Agreement cannot be amended and must be rejected. By so doing they demonstrate that they lack an alternative economic strategy.

While New Democrats are against this Agreement we do have an alternative vision of Canada. Our alternative vision is not a preservation of the status quo but a pro-active vision which encompasses the following elements:

- o Encouraging domestic investment by: reducing and maintaining interest rates at a lower level, using our energy resources to provide a competitive advantage to producers in our market, promoting small business expansion;

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- o doubling the commitment to research and development and strengthen our capacity for technological innovation;
- o developing the skills of our labour force by eliminating illiteracy, improving skills training and encouraging retraining at several points in the employment cycle;
- o encouraging further processing in our resource industries and the development of secondary manufacturing industries rather than continuing to export our raw materials and import our finished goods;
- o ensuring that foreign investment works for Canada by requiring firms to source here and by prohibiting parent companies from imposing export restrictions;
- o extending the managed trade principle that has served Canada well in the auto pact and other sectors of the economy;
- o dealing with trade disputes with the U.S. on a case by case basis rather than through a broad arrangement that costs far more than it delivers; and
- o expanding our trade with other countries through GATT. Our recent trip to Europe to meet with spokesperson for the OECD, the EEC and GATT further convinced New Democratic Party members that there is a very real threat to GATT with the development of powerful trading blocs such as the Canada-U.S. Agreement would create.

APPENDIX B

The Dissenting Opinion of Mr. George McCague and Mr. Noble Villeneuve

CONTENTS

EXECUTIVE SUMMARY	p. i
INTRODUCTION	p.01
<u>ASSESSING THE FREE TRADE AGREEMENT</u>	
Economic Impacts	p.07
Labour Adjustment	p.13
Culture and Sovereignty	p.20
Canadian Federalism	p.24
Multilateralism	p.27
Dispute Settlement, Trade Law and Access	p.32
The Auto Pact	p.42
Energy Trade	p.50
Water Resources	p.55
Agriculture and Food Sector	p.57
Grape and Wine Industries	p.60
Investment	p.63
CONCLUSIONS AND RECOMMENDATIONS	p.71

EXECUTIVE SUMMARY: PC OPINION ON THE FTA

Introduction

We have submitted this minority opinion because we are in fundamental disagreement with the majority report's assessment, conclusions and recommendations on the FTA.

Having reviewed the Agreement, and the testimony and submissions made to the Committee, we have concluded that the FTA, by securing access to the market of our major trading partner, will generate new jobs and new opportunities for all Canadians and will increase the competitiveness of our industrial base. Thus, the FTA offers this country its best option for achieving and sustaining future growth.

Further, the implementation of the FTA will make it easier for Canada and Ontario to successfully respond to the challenges of the globalization of trade and investment and the emergence of new competitors and technologies - challenges we are facing and will continue to face regardless of the fate of the free trade agreement.

We also find that the Agreement is consistent with a number of the public policy goals of the Government of Ontario including the provincial government's commitments to assist the process of industrial restructuring necessary to make our economy more globally competitive, to the reduction of regional disparities, to trade diversification, to support for and the strengthening of GATT, to the maintenance of the Auto Pact and to achieving improved protection for Ontario exporters against American trade harassment.

We therefore recommend that the FTA be endorsed and supported by the Government of Ontario.

The FTA: Economic Impacts

It does not require a "leap of faith" to support the free trade agreement on economic grounds - the history and experience of this nation, and others, provide ample evidence of the benefits of trade liberalization.

In Canada, Ontario more than any other province depends on bilateral trade with the United States to generate much of its wealth. No province has more to lose if access to that market is constrained or reduced. These facts make Ontario's opposition to the Agreement perplexing, if not self-destructive.

The vast majority of reputable private and governmental studies on the impact of the Agreement have concluded that the Agreement will result in more jobs, more growth, lower inflation, productivity gains and lower prices and greater

choice for consumers.

In Ontario, the Agreement will generate new opportunities for our manufacturing, resource and agricultural sectors. The Auto Pact, the bilateral trade liberalization agreement which has played a key role in creating this province's prosperity, is improved.

In that about 80% of our trade with the United States is already conducted on a tariff free basis we expect that the direct economic impacts of tariff elimination on the provincial economy will be modest but positive.

For similar reasons we expect that the adjustment costs will be low and considerably less than the benefits.

The FTA and Labour Adjustment

The labour market adjustments caused by the implementation of the FTA will be small relative to our historical experience and to the level of adjustment we will face if the Agreement is not implemented and we have to cope, in an environment of increased protectionism, with the adjustment pressures generated by changes in the international economic, trade and investment systems.

There are a number of factors which support the position that the level of labour market adjustment will be small and that the Canadian market and economy have the capacity to deal with them.

For example, the structure of bilateral trade will tend to minimize the level of adjustment and the adjustment process will be greatly assisted by the fact that, as a consequence of the Agreement, there will be more not fewer jobs.

Moreover, as both the Ontario Ministry of Industry, Trade and Technology and the Premier's Council have indicated, international competitive pressures will continue to affect Ontario manufacturers regardless of trading arrangements between Canada and the United States and the FTA, while it may accelerate the adjustment process, will not change it fundamentally..

In other words, whether or not the free trade agreement is implemented we will have to make certain fundamental adjustments if we are to remain competitive in world markets.

We have concluded that the implementation of the FTA will facilitate and reduce the costs of these adjustments.

Rejection of the FTA, while it would do nothing to reduce the pressure for adjustment, would reduce our flexibility and increase our costs because it would result in reduced access,

possible loss of markets and declining employment.

We are very concerned that we will face increased adjustment costs if the FTA is rejected, as this would likely initiate a round of protectionist trade actions in the U.S. We believe opponents of this Agreement who assume that, if the FTA is rejected, trade relations between the two countries will simply return to the status quo ante are whistling their way past the graveyard.

The fact that some labour market adjustment will result from implementation of the FTA is no argument against the Agreement, but is an argument in support of the provision of federal and provincial programs to assist workers displaced by competitive pressures.

The FTA and Canadian Culture and Sovereignty

There is no evidence whatever that the tariff reductions and the increases in trade with the United States we have experienced over the past 40 years have had any negative impact on Canada's culture and sovereignty.

On the contrary, we are a more dynamic and cohesive nation and are more respected internationally today, than at any time in our history.

The FTA is a commercial treaty under which Canada, as it has under the GATT, has retained all the rights and powers of national self-determination.

By stimulating economic and employment growth, the Agreement will actually increase this nation's ability to further its interests on all fronts, and thus actually serves to enhance rather than diminish our sovereignty.

The Agreement poses no threat to our social programs as all government provided services have been exempted and the right of this country to take action to defend the public welfare is fully retained.

Again, in that the Agreement will strengthen economic growth, it will serve to increase government revenues and improve the ability of governments to address social issues.

Canada's cultural industries are explicitly exempted from the national treatment provisions of the Agreement.

The constraint, such as it is, in Article 2005.2 would exist whether or not the Agreement is implemented and does not impose any new limitation on Canadian cultural policy.

The FTA and Canadian Federalism

The FTA does not in any diminish provincial power and autonomy. There is simply nothing in the Agreement which will infringe on the right and ability of any provincial government to develop and implement the economic and social policies it determines to be in the best interest of its citizens.

The Government of Ontario should abandon its pointless efforts to provoke a constitutional confrontation with the federal government over the FTA, and invest the same energy in developing policies and programs to ensure that Ontario derives maximum benefit from the Agreement.

The FTA and Multilateralism

The FTA is fully consistent with Canada's GATT rights and obligations and with Article XXIV of GATT which provides for the establishment within GATT of free trade areas and customs unions.

The Agreement does not commit Canada and the United States to the development of a common trade policy toward third parties, nor does it erect trade barriers against any third party.

Moreover, the FTA is consistent with the dual track approach to trade liberalization which this country has pursued since it signed the Auto Pact.

For these reasons we reject as unfounded the view that the FTA will undermine the GATT and Canada's commitment to trade liberalization at the multilateral level.

We believe that the FTA will serve as a positive model for the current round of GATT negotiations and that the greatest danger to the GATT lies in the rejection, not in the implementation of the Agreement.

Implementation of the FTA will make it easier for this country and province to achieve the goal of trade diversification in a number of ways. For example, it would provide a positive impetus to the reduction of trade barriers at the multilateral level, and, by generating productivity gains, it would improve our international competitiveness.

The FTA, Dispute Settlement, Trade Laws and Access

The most significant achievement of the FTA lies in the improved process for settling binational trade disputes which will protect Canadian exporters from the unilateral interpretation and application of U.S. trade remedy laws and enhance our access to the U.S. market.

The dispute settlement provisions of the FTA represent a real improvement over current process and procedures and far exceed what this country could reasonably expect to achieve through efforts to improve the GATT process.

While the FTA does not exempt Canada from American trade remedy laws it does increase substantially our degree of protection against those laws, mandates a degree of consultation on the development of a new North American trade law regime which would be unthinkable in the absence of the Agreement and offers Canada its best line of defence against the Omnibus Trade and Competitiveness Act.

The dispute settlement provisions of the FTA will reduce the possibility of antidumping and countervail disputes arising in the first place and provide for more fair and expeditious resolutions in cases where they do.

The FTA DSMs then will function to provide us with more secure access to the American market.

The FTA and the Auto Pact

The FTA improves on the Auto Pact in a number of ways of benefit to Canada.

It enshrines Canadian production safeguards and provides incentives for manufacturers to meet the safeguards.

It establishes a new more stringent rule of origin which will open new opportunities for Canadian parts makers.

The provisions of the FTA will function to protect Canadian jobs and plants in the event that an overcapacity problem develops in the North American industry.

In our opinion, if the Government of Ontario wants to ensure that this province continues to benefit from the Auto Pact then it should support the FTA.

If the FTA is rejected we are inviting either efforts to amend the Auto Pact, or its outright abrogation by the Americans, neither of which are in the best interest of Canada and Ontario.

The future of the 125,000 Ontario jobs which depend directly on a healthy automotive sector, is more certain under the umbrella of the FTA, than will be the case if the FTA is rejected and we are forced to renegotiate the Auto Pact on its own.

The FTA and Energy Trade

Under the energy trade provisions of the FTA this country

maintains its ability to control its energy future, uncertainties which have discouraged the development of new energy reserves are removed, Canadian energy producers are guaranteed non-discriminatory access to the American market, the rights of the provinces with regard to ownership and control are respected and regional disparities will be reduced; all of which are clearly in the national interest.

Ontario Hydro's primary mandate is not effected in any way by the FTA and there is simply nothing in the Agreement which will force Ontario Hydro to sell more electricity to the United States or to sell on a long term non-interruptable contract basis.

The major energy challenge facing Ontario as a consequence of the FTA will be to ensure that domestic supply is adequate to meet the increase in domestic demand projected to result from the implementation of the Agreement.

The FTA and Water Resources

The federal government of Canada has stated unequivocally through the federal water policy, through the amendment to Bill C-130 and through Bill C-156, which bans large scale water exports, that Canada's water is not for sale.

We believe that the Government of Ontario should follow the federal lead and either withdraw Bill 175, the Water Transfer Control Act, or substantially amend it to clearly and explicitly prohibit large scale water transfers and sales.

The FTA and the Agriculture and Food Sector

The modest scope of the agricultural trade provisions of the FTA are largely a reflection of the fact that the complexity of the current problems in world agricultural trade put their solutions beyond the reach of a bilateral agreement.

Canada has taken a lead role in efforts to reform world agricultural trade and the federal government should be encouraged and supported in these efforts.

In our assessment the FTA will have a positive impact on the provincial sector in that it secures access to a major export market, expands export opportunities for a large number of farm commodities and maintains our supply management and marketing systems.

The FTA and the Grape and Wine Industries

Long before this Committee reported the governments of Canada and Ontario had moved to assist the Ontario grape and wine industries adjust to new competitive pressures arising from the GATT panel ruling and the FTA.

While the provincial government, for political reasons, cannot acknowledge that the program announced August 30, 1988, represents a response to the FTA as well as to the GATT ruling, that is clearly its intent.

Whether or not the FTA is implemented, these industries face large scale restructuring as a consequence of the GATT panel ruling. The future of the Ontario industries depends on quality improvements and specialization, both of which will be encouraged by the Agreement.

The FTA and Investment

The FTA investment provisions are consistent with recent policies pursued at the federal level by both Liberal and Progressive Conservative governments, with Canada's interests as a major foreign investor and as a home country for successful multinationals and with world-wide trends influencing investment decisions and investment policies.

While the FTA will create a less restrictive set of rules for bilateral investment, it retains for Canadian governments a tremendous degree of flexibility and the use of a broad range of policy instruments to ensure that the national interest is furthered and protected.

In addition, the Agreement's investment provisions will make it possible for this country to finance the industrial restructuring of our core industries, to encourage investment in high growth and emerging industries and to foster the development of Canadian multinational enterprises.

We advise the rest of the country to take all the Ontario government's hand wringing about the FTA's investment provisions with a large grain of salt because it was the Ontario Liberal government which threw open our province's securities industry to foreign takeovers without insisting on anything in return.

Evidence presented to the Committee indicates that fears of large scale divestment, through for example the closure of so-called tariff factories, are greatly exaggerated and that the Agreement changes the major determinants of investment in ways largely favourable to Canada.

Conclusions and Recommendations

The Canada- U.S. free trade agreement is a fair and balanced commercial treaty which will help this country realize its full potential and strengthen our ability to attain our social and economic policy objectives at home and abroad.

It provides solid foundation on which Canadians can build a more prosperous and competitive economy to support a more compassionate and equitable society.

The Agreement is fully consistent with a number of the public policy goals of the Government of Ontario and will help both this province and this nation effectively respond to new competitive pressures which, if unaddressed, could threaten our continued prosperity.

The Agreement will give other regions of this country the opportunity to share in the benefits of more liberalized trade with the United States, a trading relationship which, through the Auto Pact, has enriched this province.

This Agreement is both a symbol and a product of Canada's economic and political maturity.

If we reject this Agreement, we reject not only the economic and employment benefits which would flow from it, but we reject a new mature role for our nation in the international economic system.

We see no reason why the future of this nation should be shaped by the dead hand of old fears we have outgrown. We do not believe that the opportunities for the next generation of Canadians should be limited by the preoccupations of the past.

We recommend that:

1. The Government of Ontario support and endorse the Canada-United States Free Trade Agreement.
2. The Government of Ontario abandon its pointless efforts to provoke a constitutional confrontation with the federal-government over the FTA.
3. The Government of Ontario, in consultation with business, labour and the federal government, assist workers displaced by competitive pressures.
4. The Government of Ontario either withdraw Bill 175, Water Transfer Control Act, or amend it to clearly prohibit the large scale transfer or sale of Ontario water.

INTRODUCTION

The Progressive Conservative members of the Finance and Economic Affairs Committee have submitted this minority report to express our support for the Canada-United States Free Trade Agreement [FTA], to note some of the reasons why we believe the Agreement is in the best interest of this nation and this province, to dispel some of the misconceptions about the Agreement which underlie opposition to the FTA, and to recommend that the Government of Ontario endorse the Agreement.

We do not disagree with all the recommendations of the majority report. For example, we do not take issue with the Committee's recommendations that the federal and provincial governments increase efforts to diversify trade, strengthen the GATT and reduce interprovincial trade barriers. These are all worthwhile objectives and have also become essentially motherhood issues.

However, we have a fundamental disagreement with the Committee's assessment, conclusions and recommendations regarding the free trade agreement itself.

We submit this minority opinion even though we recognize that the work of this Committee has been largely overtaken by events.

A national election is currently in progress and the Canadian people will, in electing the next federal government,

determine the fate of the Agreement.

We note however, if the Ontario experience is any indication, that general elections may not be the best means of settling the free trade issue. This Committee has just spent the better part of a year reviewing an Agreement which the governing Liberal Party claimed during the last provincial campaign it would and could veto.

We also recognize that in submitting a minority report we are lending, to what was essentially a political exercise, a degree of credibility it does not deserve.

The referral of the FTA to the Finance Committee served no substantive policy purpose. The positions of the Ontario government and the Ontario Legislature, by way of Government Motion Number 8 passed January 6, 1988, were known and established before the Agreement was referred to the Committee.

Long before the Committee reported the Government of Ontario had already determined and begun to implement its own strategies for dealing with the Agreement.

The referral of the FTA to the Committee did however serve a political purpose - to continue under another guise the Ontario's government's phoney war against the Agreement.

Thus, to the surprise of no one, the majority report rehashes the famous six conditions and Government Motion Number 8,

concludes that the government was right all along and should continue to do what it has been doing.

It is a bit late in the day for the majority of the Committee to be still arguing that, while it is all for trade liberalization, this Agreement should be rejected unless a whole raft of changes are made, that implementation should be delayed until this provision is amended and that one deleted.

We have all heard this type of "No deal if,..." and "No deal unless,..." rhetoric before. This close to the altar its either this Agreement or no agreement. It is a bit difficult to take seriously a report which demands a whole series of changes to an Agreement when implementing legislation has been passed by one of the signatories and had been passed by the House of Commons before the general election was called.

This is particularly the case since no consideration is given as to whether the changes demanded are negotiable or what concessions would be sought by the Americans in return.

We are also struck by the sense of nostalgia underlying much of the opposition to the FTA and evident in many of the majority report's conclusions and recommendations.

The majority of the Committee seems to long for a return to the "good old days" - the days of the National Energy Program and the Foreign Investment Review Agency. A time when Liberals were in power in Ottawa and the economy was in decline in the

rest of the country.

Nostalgia and rhetoric do not provide a very solid basis for the economic and social future of this country.

But what we may describe as "policy nostalgia", is about the only thing opponents of the Agreement and the majority of the Committee have to offer by way of an alternative to the FTA.

On any number of fronts, on energy policy, on investment policy, on auto trade policy, on dispute settlement, sectoral trade agreements, opponents of this Agreement are asking us to accept, on the basis of faith alone, that yesterday's policies will enable us to adequately respond to and take full advantage of the challenges and opportunities of tomorrow.

We beg to differ. We will not join in that leap of faith into the Twilight Zone where it is simply assumed that the universe will unfold in a manner consistent with our interests, where the lambs and the lions will lie down together in the GATT; where the Americans, after we tear up the free trade agreement, will not tear up the Auto Pact; where we can apparently turn away with impunity from the most comprehensive and liberalizing trade agreement ever negotiated between two countries.

We cannot reject the trade agreement without cost and yesterday's answers are no solution for tomorrow's problems.

Opponents of the FTA don't talk about the cost of rejecting the Agreement. Neither does the majority report.

They don't talk about the cost of increased American protectionism, reduced access or the possible abrogation of the Auto Pact.

They don't talk about the costs to Canadian federalism of rejecting an Agreement which will help reduce regional disparities, and which has been endorsed by eight provincial governments.

They don't talk about the damage to the prospects for future multilateral trade liberalization which would result if Canada, a trading nation and charter member of the GATT, turned its back on its own tradition of support for and commitment to the reduction of trade barriers.

Nor do they talk in any depth or detail about alternatives to the FTA.

We have heard the usual homilies in praise of GATT and vague ruminations on the value of sectoral trade agreements without hearing any realistic assessment of the possibility of realizing through these mechanisms the gains we have made through the FTA.

From our perspective the majority report fails on all counts. It fails to make a compelling case against the free trade

agreement. It fails to adequately assess the costs of rejecting the Agreement. It fails to detail any viable alternatives to the free trade agreement.

Our support of the free trade agreement is based on our assessment that the Agreement will have a positive impact on our nation's social, economic and political systems.

We are convinced that the FTA, by securing access to the market of our major trading partner, by generating new jobs and new opportunities for all Canadians, by helping to increase the efficiency and competitiveness of our industries, provides this nation with its best option for achieving and sustaining future growth.

The following sections elaborate on our reasons for supporting the FTA, and, while the scope and complexity of the Agreement make it impossible for us to respond to and comment on all the concerns raised by witnesses before the Committee, or even in the majority report, we hope to address the matters which appeared to be of general concern and of most interest to the people of Ontario.

ASSESSING THE FREE TRADE AGREEMENT

Clearly some Canadians are uneasy about the impact of the FTA on Canadian federalism, international trade relations, the Canadian economy, Canadian sovereignty and culture; and about the effect of the FTA on specific industries and policy fields such as the auto industry, our agriculture and food sector, and investment, energy and water policy.

By addressing these concerns, many of which we found to be based on a misunderstanding of the terms of the Agreement, we hope to eliminate some misconceptions and to illustrate the significant benefits the Agreement will provide to the people of Canada and Ontario.

THE FTA: ECONOMIC IMPACTS

Canada is a trading nation in which nearly three million jobs depend on exports. Yet Canada is one of the few industrialized nations which does not enjoy secure access to a market of more than 100 million people.

In Canada, Ontario, more than any other province, depends on trade, and in particular on bilateral trade with the United States, as the source of much of its wealth. Ontario, as the Chairman of the Canadian Manufacturers' Association [CMA], Ontario Division, reminded the Committee, "... exports more than 150 countries. The prosperity of this province is clearly

built on trade."

Last year about 76% of total Canadian exports were shipped to the United States. However, nearly 90% of Ontario's exports were shipped to the U.S.

Canada's export trade with the United States generates 18.7% of its gross domestic product. In Ontario, 27.4% of our GDP is created by our exports to the United States.

Two of every five jobs in our province, and seven of every ten jobs in Northern Ontario, are related to trade with the U.S.

Ontario sells more to the United States than the rest of Canada combined.

Clearly, no province depends more on secure access to the American market, and has more at risk if that access is constrained, than the province of Ontario.

This makes the province's opposition to the free trade agreement perplexing, if not self-destructive.

Ontario stands to benefit significantly from the implementation of the free trade agreement. As stated in the CMA's brief to the Committee:

- o The agreement will benefit the various regions of the province. In Northern Ontario the prospects for our mining industry will be improved and our forestry products will be more competitive.

In Southern Ontario, the Auto Pact is not only maintained but improved as there will be additional stimulus to parts production in Ontario. The petrochemical industry has achieved the access for the U.S. market it has long sought. Manufacturers - both small and large - will also have greater access and now can compete for more U.S. government contracts. Ontario's world class services industries and professionals can service a larger customer base and gain easier access to the U.S. for temporary business purposes. ...

In conclusion, we believe the Agreement will benefit Canadians in all regions of the country. The geographical proximity of Ontario to the large population areas of the U.S. means this province will receive the largest manufacturing benefits from the Agreement.

In his presentation to the Committee, Donald Macdonald, the Co-Chairman of the Canadian Alliance for Trade and Job Opportunities, stated that, "The nation as a whole will benefit substantially from the free trade deal. But no region stands to gain as much as the province of Ontario, since more than 90% of Ontario's exports are destined for the U.S. market."

By calling for the rejection of the FTA the government of Ontario is calling for rejection of more secure access to its major trading partner and rejection of the economic benefits which free trade offers to Ontario's consumers, investors, entrepreneurs, employers, workers and regions.

The vast majority of reputable private and governmental studies have concluded that the implementation of the free trade agreement will have a positive impact on the Canadian economy and will result in more jobs, more growth, lower inflation, higher incomes, and lower prices and greater choice for consumers

The Economic Council of Canada, [ECC], has projected that implementation of the Agreement will result in a net gain of 251,000 jobs in the next ten years and a 2.5% increase in economic activity compared to the base case of no change in Canada - U.S. trade relationship.

The ECC projects that in Ontario implementation of the FTA will create an additional 94,847 jobs by 1998 and that our real GDP will increase by an additional 2.3%.

The federal Department of Finance assessment projects a 2.5% long term increase in real income, equivalent to a permanent increase of \$450 annually for each Canadian, or \$1,800 for every family of four.

In Ontario, the long term increase in real income is projected at 2.7%, the largest projected for any region in the country.

Nationally, Finance projects that real output will increase by 3.5% in the long run and that by 1993, half way into the phase-in period, implementation of the Agreement will create an additional 120,000 net new jobs and add 2% to our GDP.

Even the Ontario Ministry of Treasury and Economics has concluded that:

- o ... marginally lower prices for imported goods should lower consumer prices and modestly increase real incomes in Canada. The effect of this is to boost aggregate demand and stimulate industry in general. Phasing out U.S.

tariffs on Canadian exports may provide a slight competitive boost to some Canadian industries in U.S. markets. The net effects of mutual tariff reductions will be very small but marginally positive.

It is not only economists who expect that the free trade agreement will have a positive impact on the Canadian economy.

Business people in Canada and Ontario have also endorsed the Agreement because they recognize that the FTA will translate into expanded opportunities and improve their competitive position.

As was demonstrated during the Committee's hearings, the free trade agreement enjoys the support of a very broad cross-section of the Ontario business community. The Agreement is supported by Ontario's small businesses and large businesses, by the province's manufacturers and resource producers, by its retailers and its exporters, all of whom are confident that they can take advantage of the new opportunities created by free trade, all of whom believe that they, and we, are better off with this Agreement than without it.

We do not believe that it requires a "leap of faith" to support the free trade agreement on economic grounds - the history and experience of this nation and others provide ample evidence of the benefits of trade liberalization.

The FTA is a logical extension of a process and policy of trade liberalization which this nation has pursued for more than 50 years in terms of its bilateral relationship with the U.S.,

and for more than 40 years at the multilateral level through the GATT.

There is no evidence to suggest that 50 years of tariff reductions have had anything but a positive impact on the Canadian and Ontario economies.

In our assessment the direct economic impact of tariff elimination on the province's economy will be modest but positive. We expect that to be the case simply because nearly 80% of our trade with the United States is already conducted on a tariff free basis. For similar reasons we expect that the adjustment costs will be quite low and considerably less than the benefits.

We are also convinced that the FTA can play a key role in helping this province meet the challenges of global competition and industrial restructuring and will thereby contribute to the attainment of two of the priority public policy goals of the government of Ontario.

While we expect the direct economic impacts of free trade to be modest we do not think that they are for that reason insignificant.

This province is not so well-off that it can turn its back on productivity gains, new jobs, consumer savings and a deal which could alleviate regional disparities at both the national and provincial levels.

This province cannot afford to reject an Agreement which will provide it with more secure access to a market which generates one-quarter of its total wealth.

The economic benefits of free trade are such that the only rational reasons for rejecting the Agreement would be if the adjustment costs of free trade were disproportionately high, or if the economic benefits were paid for through a loss of sovereignty and policy autonomy.

In that none of these conditions pertain with regard to the FTA we believe that the Agreement should be endorsed and supported by the Government of Ontario.

THE FTA AND LABOUR ADJUSTMENT

There is no question that some industries will be hurt by the elimination of the tariff protections they currently enjoy.

However, the labour market adjustments resulting from the implementation of the free trade agreement are likely to be small relative to both our historical experience and to the adjustment costs associated with the development and application of new technologies and the emergence of new competitors.

[This assumes that it will be possible to link specific labour

force adjustments directly to the implementation of the FTA. Such linkages may be very difficult to establish because, as the ECC has argued, in the current environment it may not be possible "to distinguish the workers displaced by the consequences of the Canada-U.S. agreement from those displaced by technology or by new competition from developing countries."]

There are a number of factors which support the position that FTA related labour market adjustments will be small and that the Canadian economy has the flexibility to deal with them.

First, the tariff cuts proposed by the Agreement are well within the range of total tariff reductions we have experienced in our trade with the United States since the mid-sixties and the Canadian labour market has adjusted successfully to those past reductions.

Second, the adjustment process will be substantially assisted by the fact that, as a consequence of the Agreement, there will be more not fewer jobs.

Third, labour market adjustments will be minimized by the structure of bilateral trade. As reported by Professor Alan Rugman, some 70% of all bilateral trade is conducted by multinational enterprises meaning that their response to free trade would be a significant determinant of the adjustment process.

Professor Rugman surveyed the largest Canadian-owned multinationals and the largest U.S. subsidiaries in Canada to determine the manner in which they would react to both bilateral and multilateral trade liberalization.

Professor Rugman concluded:

- o Both groups are strongly in favour of trade liberalization and both state that they will be able to readily adjust to new bilateral and multilateral trade regimes. There is no evidence in these responses that U.S. subsidiaries in Canada will close plants and create job losses. Instead, they anticipate that employment will increase in their companies and that their workers will benefit from trade liberalization

Both the Canadian multinationals and the U.S. subsidiaries in Canada report that they will be able to absorb adjustment costs, that they do not require long phase-ins, a devalued exchange rate, or adjustment assistance. They report that they will not close down plants after trade liberalization. The strength of these responses leads to the unambiguous conclusion that the major private sector firms involved in bilateral trade and production will be able to handle the transition to a free trade environment.

Fourth, cumulative inter-sectoral shifts in employment resulting from trade liberalization are forecast to amount to 1.5% of total employment by the time the FTA is fully implemented. By comparison, inter-sectoral employment shifts over the 1971 to 1981 period were six times as large. Yet today employment levels in Canada are at an all-time high, indicating that the Canadian labour market has the capacity and flexibility to successfully adapt.

On the whole we agree with the observation made by the Royal Commission on the Economic Union in its 1985 report that, "other factors affecting employment dwarf those that would flow

from free trade. Among these is the restructuring of industry which has occurred as Canadian firms attempt to meet increasing world competition."

Moreover, while the Agreement will put employment levels in some sectors, particularly inefficient and/or heavily protected ones, under pressure, we would argue that these sectors will face adjustment pressures in any case and that the FTA will serve to reduce the cost of adjusting to changes in the international system.

The international competitive environment is being shaped by a number of factors - the emergence of intensely competitive newly industrialized countries, technological development and diffusion, the breakdown in traditional barriers to international trade and the globalization of investment - which could potentially put our prosperity at risk by undermining our competitive position.

These force will continue to operate and generate pressure for change whether or not the free trade agreement is ratified and implemented. As the Ontario Ministry of Industry and Trade and Technology, [MITT], put it in the report The Sectoral and Regional Sensitivity of Ontario Manufacturing Industries to Tariff Reductions:

- o International competitive pressures will continue to affect Ontario manufacturers regardless of trading arrangements between Canada and the United States; a Canada-U.S. trade agreement would not alter the need for Ontario industry to adjust to the demands of the international marketplace. Tariff barriers have gradually

declined under successive rounds of the General Agreement on Tariffs and Trade, necessitating adjustments for many Ontario industries over the longer term. Further reductions in tariff and non-tariff barriers await the successful completion of the Uruguay Round of trade negotiations. The prospect of a Canada-U.S. agreement, under which barriers would presumably come down much more quickly, simply heightens pressures to make fundamental adjustments over the longer term and sharpens the need to respond to them flexibly in the short term as well.

The Premier's Council, the Ontario government's blue ribbon advisory body on economic and industrial strategy, has a similar view. In the first volume of its report Competing in the New Global Economy, the Council wrote that:

- o The adjustments taking place in the core industries in Ontario are driven by maturing markets and intensifying international competition. While the proposed Canada-U.S. free trade agreement may accelerate the adjustment process, it will not change it fundamentally.

Since we will face adjustment pressures regardless of the fate of the FTA, the key question becomes will implementation of the FTA make the adjustment process easier or more difficult.

This question was addressed by Professors Wonnacott and Hill in Canadian and U.S. Adjustment Policies in a Bilateral Free Trade Agreement where they concluded that the adjustments related to a bilateral free trade agreement, [BFT], are likely to be much less than the adjustments we would have to confront if there was no BFT agreement.

In the latter case adjustments would have to be made in an environment of increased protectionism and possible loss of markets. In that event adjustments would have to be made with

employment falling rather than rising. In short, a bilateral free trade agreement will make it less difficult for us to adjust to international competitive pressures.

The FTA will further strengthen our ability to respond to the challenge of global competition by making our industries more productive and efficient and by encouraging investment in Canada.

By reducing tariffs and providing secure access to the American market, the Agreement will improve the competitive position of our exporters in that market, and enable our firms to take advantage of the economies of scale associated with longer and larger production runs and product specialization.

From this perspective, the FTA which will generate productivity gains for Canadian producers, is fully consistent with one of the major policy goals of the Government of Ontario, that being the restructuring of the Ontario industrial base to make it more globally competitive.

We find that the Government of Ontario's opposition to the free trade agreement at cross-purposes with its stated objective of facilitating the process of industrial restructuring.

The fact that the implementation of the FTA will result in labour market adjustments is no argument against the Agreement, but is an argument in support of the provision of programs to help workers displaced by competitive forces.

Unlike the majority of the Committee we believe that the provincial government has a responsibility to participate in adjustment programs.

Critics of the free trade agreement have concentrated on the possibility that a number of jobs in industries sensitive to tariff reductions could be lost. They do not look at how many jobs in our economy are "protectionism sensitive" - at how many jobs we put at risk by rejecting the Agreement.

In our opinion, opponents of the FTA who assume that if Canada rejects this Agreement our trade relations with the United States will simply return to the status quo ante, are whistling their way past the graveyard.

The Economic Council of Canada is closer to the mark in its projection that:

- o ... if Canada were to repudiate the trade agreement, the United States would not likely renew negotiations without demanding major new concessions. Indeed, it is more likely that protectionist lobbies in the United States would succeed in having a host of trade actions taken against Canada. Many such actions are already in the administrative pipeline. Others have been called for - against Canadian farmers, fishermen and forest and mineral producers; against our steel and energy industries and against our textile and clothing firms.

The costs of any increase in U.S. protectionism are substantial. The ECC has estimated that the imposition of 20% American import surcharge, and the consequent deterioration in the world trade environment, would cost this country 520,000

jobs by 1995.

The Department of Finance has calculated that the FTA, in addition to its positive impact on job creation rates, "will secure 75,000 or more Canadian jobs by 1993, jobs which would otherwise be at considerable risk due to the possibility of increases in U.S. protectionism in the absence of a free trade agreement."

Informetrica has estimated that an effective rise of 10 percentage points in U.S. tariffs could cost Canada 100,000 jobs.

Since rejection of the FTA would do nothing to reduce the pressures for industrial restructuring, we would be left in the worst of all possible worlds - we would have to restructure and adjust in a trade environment of increased protectionism which would dramatically limit our flexibility and greatly increase our adjustment costs.

THE FTA AND CANADIAN CULTURE AND SOVEREIGNTY .

The issue of the impact of the FTA on Canadian culture, cultural policy, cultural industries and identity was discussed by a large number of groups in many different contexts.

There seemed, in our opinion, to be a general recognition

that the FTA via Articles 1607 and 2005 specifically and explicitly exempts cultural industries from the national treatment principles of the Agreement.

This general exemption is limited only by four minor exceptions, all of a commercial nature and none of which, in our opinion, pose any threat to the viability of Canada's cultural industries.

Some concern was expressed about the longer term repercussions of Article 2005.2 which provides that a Party to the Agreement may, in response to actions inconsistent with the Agreement taken by the other Party in regard to its cultural industries, take other or similar actions of equivalent commercial effect.

It has been argued that this provision will severely limit Canada's future cultural policy options. While we appreciate the grounds for concern with regard to this matter we believe it is largely misplaced.

The provision strikes us as being a reasonable one and one which we think Canadians would demand if the Americans had negotiated a blanket exemption for one their industrial sectors or policy fields.

Further, the provision does not place any new constraints on Canadian cultural policy. The provision simply codifies in the Agreement what is currently the case. Discriminatory Canadian cultural policies have always been open to retaliation and the

Americans have, in the past, responded to Canadian cultural policies which they judged to be detrimental to their interests by taking measures of equivalent commercial impact.

If anything, the Agreement improves on this situation because it will make it possible to subject any retaliatory response to the dispute settlement mechanisms of the FTA, thus providing Canada with a degree of protection it currently does not enjoy against unilateral American action.

Beyond these technical matters there are the broader concerns about the impact of the FTA on Canadian culture, as opposed to cultural policies and industries, and on Canadian identity.

With regard to these issues we will limit ourselves to the observation that both Canadian culture and Canadian identity are based on more than the existence of a tariff barrier, and that there is no evidence whatever that forty to fifty years of trade liberalization have had any detrimental impact on Canada's culture or identity.

The same observation holds true with regard to Canadian sovereignty - there is simply no evidence that liberalized trade results in any loss of sovereignty.

Forty years ago Canada shipped less than 40% of its exports to the American market and the average tariff was about 40%.

Today, the American markets accounts for about 75% of Canadian

exports, our average tariff is 9.2% and between 75% and 80% of our bilateral trade is conducted on a tariff free basis.

Yet, Canada is no less sovereign today than it was forty years ago.

If anything we are a more cohesive nation and a more effective and respected actor internationally than at any time in our history.

Increased trade with the United States and lower tariffs have not prevented this country from pursuing its own economic, social and foreign policies. Canada has grown stronger, not weaker, in an environment of increasing bilateral and global economic interdependence.

The FTA is a commercial treaty under which the Government of Canada has retained, as it has under the GATT, the rights of national self-determination.

The FTA will no more undermine the sovereignty of this country than has the Auto Pact. By stimulating economic and employment growth the Agreement will actually increase the ability of Canada to protect and further its interests on all fronts.

The Agreement poses no threat to Canadian social programs as all government provided services have been exempted from the Agreement and the right of this country to take action to defend the public welfare is fully retained.

As noted in the ECC's report, Venturing Forth:

- o Both countries were at pains to remove their social programs from the negotiations and to grandfather the various consumer-oriented or socially focused legislation and regulations governing commercial transactions. ... There is, therefore, no reason to think that free trade can be used to alter or undermine Canada's unemployment insurance, medicare, or other programs fundamental to the social safety net. Rather, by strengthening economic growth and employment in Canada, the free trade agreement will increase government revenues and improve the ability of governments to address social issues.

In conclusion, under the Agreement, Canada has won a full exemption for its cultural industries from the principles of the FTA. The constraint, such as it is, in Article 2005.2 would exist in any case whether or not the Agreement is implemented and therefore does not, in our view, impose any new limitation on Canadian cultural policy.

Canada's sovereignty, far from being threatened by the Agreement will be strengthened and expanded.

THE FTA AND CANADIAN FEDERALISM

The Committee heard the opinions of a number of learned legal and constitutional experts on the constitutionality of the Agreement, the effect the Agreement would have on federal-provincial relations and on the rights, powers and jurisdictions of the federal and provincial governments.

At the risk of oversimplifying a complex matter the dispute over the constitutional impacts of the FTA may be reduced to two conflicting points of view - that of the Ontario Attorney General and that of the federal International Trade Minister.

The Ontario Attorney General has argued that the FTA, if implemented, "will fundamentally alter the established dynamic and workings of Canadian federalism", and "will dramatically and systematically reduce the ability of all provincial governments to shape and implement social and economic policy".

By contrast, the federal International Trade Minister has argued that neither the FTA nor the implementing legislation trample on provincial jurisdiction and that the implementation of the FTA requires only one change "that normally comes under provincial jurisdiction, namely listing and mark-ups for American wine and liquor."

The majority report sides with the Ontario Attorney General and advises the provincial government to "follow the advice of the best legal and constitutional counsel available so as to ensure that, in the long run, our ability to conduct our own affairs is preserved."

At this point one might fairly ask if, as the majority of the Committee seems to believe, the FTA will result in a dangerous reduction in provincial power and autonomy, why has the Committee, instead of advising the province to conduct a perpetual constitutional audit, not recommended a more

forceful, direct and immediate response, i.e. that the province immediately contest the constitutionality of the implementing legislation, when and if that bill is passed.

No such advice was forthcoming, largely we suspect because the Committee recognizes that the supposed threat to the province is illusory, that the provincial case would be on very weak grounds and that defeat would represent a much more serious threat to provincial powers than that purportedly posed by the Agreement itself.

We also note that the Government of Ontario acted well in advance of the Committee's advice that it "do everything in its power to preserve the areas of provincial jurisdiction" by introducing a number of bills with that avowed intent during the past session of the Legislature.

It is a measure of the weakness of the Ontario government's position, and the value of the majority report's advice, that the bills it introduced were so misconceived that it was unable to even successfully pick a fight. [As one commentator put it at the time, it was as if the Ontario government went to the beach and kicked sand in its own face.]

We do not believe that it would be a valuable exercise for the Government of Ontario to continue to kick sand in its own face.

The people of the province would be better served if the Government of Ontario abandoned its misguided and pointless

efforts to pick a constitutional fight with Ottawa over the FTA and invested the same energy in developing policies and programs to ensure that Ontario derived maximum benefit from the Agreement.

In our opinion the FTA does not in any way diminish provincial power and autonomy. There is simply nothing in the Agreement which will infringe on the right and ability of any provincial government to develop and implement the economic and social policies it determines to be in the best interest of its citizens.

The province can easily avoid a conflict in the one area where the FTA impacts on a matter in provincial jurisdiction - wine and liquor listing and pricing practices - by introducing the necessary implementing legislation itself.

THE FTA AND MULTILATERALISM

A number of witnesses before the Committee, such as the Business Council for Fair Trade, expressed the view that the FTA was inconsistent with a multilateral trade strategy, would harm the GATT in a world trade context and would close the door on Europe and the rest of the world.

A different opinion was voiced by other groups, including the Canadian Exporters Association, [CEA], which stated that the FTA was in line with GATT, would provide a positive direction

for the current round of GATT negotiations and would help encourage greater freedom of trade among all nations.

We have concluded the FTA represents no threat to either the pursuit of a multilateral trade strategy, to GATT or to Canada's negotiating position in GATT.

As the Business Council on National Issues [BCNI] noted in its submission:

- o Numerous bilateral and regional free trade agreements have been reached by GATT members in the last 30 years without compromising the GATT system. Indeed, at least 46 of the 95 GATT members - almost 50% - are also members of free trade areas, common markets or customs unions. ... Canada is exceptional in this regard only because it is not already a member of a free trade area. Moreover, Canada is the only major industrialized democracy in the world, except for Australia, without tariff free access to a market of 120 million or more people. This illustrates that more and more countries have recognized the importance of gaining access to large markets in order to boost their economic growth.

The FTA is fully consistent with Canada's GATT rights and obligations and indeed in many places builds on those rights and obligations and makes them more explicit and enforceable in terms of our bilateral trade relationship with the United States.

The FTA is consistent with Article XXIV of GATT which provides for the establishment within GATT of free trade areas and customs unions.

The FTA does not commit Canada and the United States to the development of a common trade and commercial policy toward

third parties, nor does it erect trade barriers against any third party.

At the same time Canada was seeking to enhance its trade relations with the United States it remained very active in efforts to achieve, through the GATT, reductions in trade barriers at the multilateral level.

Canada is a full participant in the current round of GATT talks and has taken a lead role in efforts to reform world agricultural trade.

In addition, Canada will host, in December, 1988 in Montreal, the mid-term review of the multilateral trade negotiations. This meeting will be a pivotal part of the Uruguay Round and could prove critical to the achievement of real improvements in world trade.

Given these facts we cannot accept the claim that the FTA will undermine GATT, the GATT process or Canada's commitment to achieve trade liberalization on a multilateral basis.

Moreover, we should not forget that this nation has, for the past twenty years, pursued a dual track approach to trade liberalization - on a multilateral level through GATT and on a bilateral level with the United States through the Auto Pact.

It goes without saying that the area of Canada which has benefited most from this dual approach has been the province of

Ontario - a situation which makes its opposition to more liberal bilateral trade all the more ironic.

We believe that the greatest danger to the GATT, the GATT process and Canada's negotiating position at GATT lies in the rejection of the FTA, not in the implementation of the treaty.

Rejection of the FTA would send a very negative message to other GATT members, would do nothing to encourage trade liberalization on a multilateral basis, and nothing to strengthen Canada's hand at the GATT negotiating table representing, as it would, a break with this country's long-standing commitment to liberalizing trade on both the bilateral and multilateral levels.

No one would disagree with a recommendation that the Governments of Ontario and Canada make greater efforts to expand and diversify our trading relations with other countries. However this is hardly a reason to reject the FTA.

In the first place, trade diversification would not reduce the need for us to improve and enhance our trade relationship with the United States.

The United States is the major market for both Canadian and Ontario exports, and our dependence on that market, for geographic and economic reasons, is not likely to diminish significantly in the foreseeable future.

Therefore, while the statement that we must diversify trade has assumed motherhood status, the key question is will the Agreement make the goal of trade diversification more or less difficult to achieve.

In our view, the FTA, by securing access to the American market, will facilitate, not hinder, trade diversification.

It will be easier for Canadian exporters to break into the tough competitive markets of the Pacific Rim and Europe if they do not have to contend with U.S. protectionism in the North America.

Further, evidence presented before the Committee indicates that the FTA will result in productivity gains for Canadian industries thus making our exporters more competitive in world markets.

Moreover, success in trade diversification will depend to no small degree on improved market access through the elimination of existing trade barriers. Rejection of the FTA would serve to reinforce protectionist sentiments and make the elimination of existing barriers and consequently trade diversification more difficult to achieve.

In sum, we agree with the view expressed by the Canadian Manufacturers' Association, [CMA], Ontario Division, that "the trade agreement provides a sound foundation on which to build Canada's future trading relations and is an essential component

in improving Canada's international competitiveness".

THE FTA, DISPUTE SETTLEMENT, TRADE LAWS AND ACCESS

In our opinion, the most significant achievement of the FTA lies in the improved process for settling binational trade disputes which will protect Canadian exporters from the unilateral interpretation and application of U.S. trade remedy laws and enhance our access to the U.S. market.

The FTA dispute settlement process represents a real improvement over current procedures and far exceeds what we could reasonably expect to achieve in this area through GATT.

Clearly, this position stands in marked contrast to that taken in the majority report. The majority of the Committee, in criticizing the dispute settlement provisions, argues, among other things, that Canada remains subject to American trade remedy laws, that Canada did not win an exemption from the Omnibus Trade and Competitiveness Act and that implementation of the FTA will limit this country's ability to effectively negotiate a new subsidies code.

The Committee concludes that the "dispute settlement mechanism is of little net benefit to Canada".

We strongly disagree with that conclusion.

The FTA DSMs will improve on current process and procedures and will, as a consequence, provide for more secure access to the American market in a number of important ways, [BCNI has identified no less than eight areas of improvement and the C.D. Howe Institute has identified 19 ways in which the FTA will improve our access to the American market, and nine ways it improves security of access], including increased protection against sideswipe, more expeditious dispute settlement, binding arbitration on final determinations in anti-dumping [AD] and countervail [CV] cases and a requirement for prior consultation on changes to AD and CV laws affecting Canada.

The FTA DSMs represent not only a very real improvement over GATT dispute settlement mechanisms, the deficiencies of which were commented on by the Select Committee on Economic Affairs in its Ontario Trade Review report of September, 1986, but also provide a real advance over what we believe this country could reasonably hope to achieve through negotiations to improve the GATT process.

Any improvements in GATT would require the consensus of more than 90 nations and it is a bit farfetched to hope that, for instance, they would agree to binding arbitration of final determinations of AD cases.

Critics of the FTA have made much of the fact that the FTA does not exempt Canada from the application of American trade remedy laws, and have used this to support claims that the FTA does nothing to enhance our access to the American market or reduce

our vulnerability to trade harassment.

We find this objection to stand in peculiar relationship with the concern, expressed by the same critics, that Canada's sovereignty not be compromised by the FTA.

It appears to us that the only way that Canada could have negotiated an exemption from American trade remedy laws was to have agreed to provide the U.S. with an exemption from Canadian trade laws.

To have traded away our right to apply and amend our own laws, in the absence of a mutually acceptable substitute system, would indeed have been a sell-out of Canadian sovereignty.

This is yet another example of the tortured logic underlying much of the opposition to the Agreement - on the one hand the deal is condemned because it allegedly sold-out Canadian sovereignty, on the other hand the deal is condemned because it protected Canadian sovereignty.

In any event the FTA does provide Canada with a substantial degree of protection it does not currently enjoy against American trade remedy laws.

First, under the FTA, changes to U.S. CV and AD laws made after the Agreement comes into effect will not apply to Canada unless Canada is specifically mentioned. In such a case, the FTA provides for prior consultation which gives this country

the opportunity to present its case for an exemption.

Second, the disputes panel will be empowered to issue "declaratory opinions" on proposed changes or recommend modifications to proposed changes to trade law. If recommended modifications are not made the country harmed by the changes has the right to either adopt similar measures or terminate the entire Agreement on notice.

Third, the FTA establishes a process for binding arbitration of CV and AD final determinations.

Fourth, the FTA provides for a process of negotiation to produce a new set of North American trade laws within five to seven years.

While one can argue that the proposed DSMs are not perfect, any objective analysis supports the conclusion that the FTA DSMs will reduce the possibility of AD and CV disputes arising in the first place and will provide for more rapid and fair resolution in cases where they do occur.

We are in total agreement with the BCNI conclusion that, "By international standards, these components of the Agreement represent very significant progress in the application of the rule of law to a large complex two-way relationship."

Critics of the Agreement have also argued that the FTA DSMs are weakened to the point of uselessness by the failure of the

parties to negotiate and include in the FTA a new subsidies and antidumping code.

If critics are concerned about the absence of a new subsidies and antidumping code then they should at least welcome that the FTA provides a process for the negotiation of a new code and acknowledge, as one witness put it, that the FTA:

- o provides for a degree of close consultations that would be inconceivable without the Agreement. Those who oppose this Agreement because it did not achieve a breakthrough on subsidies and antidumping have not explained how they expect to come even close to the level of consultations on these matters that is mandated by the Agreement."

Nor, we would add, have critics explained how GATT offers a more attractive alternative as a means of resolving the thorny issues of subsidy, countervail and antidumping. As noted in the majority report, "The lack of a definition of a subsidy and interpretive difficulties with the Subsidies Code are major problems according to the GATT. As a result the GATT has found it to be very difficult to reach conclusions in some disputes cases".

The subsidies problem has proved to be so troublesome in the GATT that negotiations to clarify the provisions of the Tokyo Round Subsidies Code, including provisions related to the definition and use of subsidies, have stalemated.

We do not accept the view that Canada's negotiating position will be undercut by the implementation of the FTA.

This view is based in part on the assumption that the Canadian negotiating position will be limited by the continued threat of U.S. trade actions.

The threat of continued U.S. trade actions would exist whether or not the Agreement is implemented and the likelihood of such actions is much greater, and Canada's prospects for dealing with them successfully considerably less, if the Agreement is rejected.

If the threat of trade action is thought to undermine our negotiating position in the FTA then critics should tell us how we could expect to have any influence on making positive changes to American CV and AD trade law if the FTA is not implemented.

The simple fact is that without the FTA there is no mandate to negotiate anything at all, nor would we have access to the improved dispute settlement mechanisms.

During the five to seven year period mandated for trade law negotiations we believe that the Canadian governments would, in the area of subsidy policy, be well advised to follow the advice given to the Parliamentary Committee on Bill C-130 by the Canadian Federation of Independent Business:

- o Canadian policy makers should, in consultation with Canadian industry, labour and any other interested parties, pursue the industrial policies they consider most beneficial. Questions of subsidy should be determined in accordance with the provisions outlined in the FTA and any discussions which might take place over the next five to

seven years, and should not be influenced by attempts by the U.S. authorities to pre-empt certain types of policies in the context of U.S. legislation.

We find that Richard Lipsey of the C.D. Howe Institute offers the best response to those who advocate that the FTA be rejected because it does not contain a new subsidy and anti-dumping code. In his submission to the Committee Mr. Lipsey argued:

- o To turn down this impressive list of improvements in access, increased security of access, and prospects for the future because we did not get even more by agreeing to a code for antidumping and subsidies seems to be letting the best be the enemy of the good with a real vengeance. Those who advocate trade liberalization, yet reject this Agreement because it does not provide enough, have a lot to answer for.

The majority report laments that the FTA does not exempt Canada from the recently passed American Omnibus Trade and Competitiveness Act.

The fact that we were not exempted from the Omnibus Act, is hardly a reason to reject the FTA, rather it underlies the need for the FTA. In our assessment Canadian exporters will be much better able to cope with the Omnibus Act, an admittedly bad trade law, and be better protected from the Act, under the umbrella of the FTA then will be the case if the FTA is rejected.

Rejection of the FTA is not going to get rid of Omnibus Act.

Rejection of the FTA will however eliminate the possibility of

improved bilateral dispute settlement and the development of a mutually acceptable set of substitute trade laws.

Thus, to advocate that the FTA be rejected or its implementation delayed because we did not win an exemption from the Omnibus Act is to advise that we cut off our nose to spite our face. It is to advise that Canadians reject the one initiative currently on the table which promises relief from that bad trade law.

Nothing, in our opinion, would give more aid and comfort to the forces of American protectionism which were behind the Omnibus Act, than rejection of the FTA.

Furthermore, we have some problem with the Committee's recommendation that the Government of Canada petition GATT authorities to determine whether the Omnibus Act is consistent with the General Agreement on Tariffs and Trade.

In our view, the Articles of the General Agreement on Tariffs and Trade do not enable the GATT to issue the type of declaratory opinion being sought by the Committee. At best the Committee's recommendation seems to be based on a rather broad reading of Article XXIII. Even if the Committee's interpretation of the Article could be sustained, Canada, under the Article, would be first required to make representation to the Americans on the matter before it could be referred to the GATT.

Finally, we were struck throughout the Committee hearings by the difference in perceptions of the utility and value of the proposed DSMs held by Ontario government bureaucrats on the one hand and Ontario exporters on the other.

This difference in perception is most clearly illustrated by a comparison of the assessments provided by the government's resource ministries, Natural Resources and Northern Development and Mines, and the province's resource exporters.

In its testimony before the Committee, the Ontario Ministry of Resources, [MNR], expressed its "uncertainty regarding the process for settling disputes with the U.S.". According to MNR, the FTA not only failed to ensure unimpeded access to the American market but resource industries and communities "didn't even get the consolation prize - a binding dispute settlement mechanism."

MNR acknowledged that there were others who would disagree with its assessment but was of the opinion that these people were just "kidding themselves" if they thought the FTA improved access and dispute settlement.

The Ministry of Northern Development and Mines echoed the MNR opinion with its submission noting that "the consolation prize is not worth very much".

A much different assessment was provided by the province's resource exporters including the Ontario Mining Association,

[OMA], and the Ontario Forest Industries Association, [OFIA].

The OMA, whose members export 70% of their production to the United States, stated to the Committee that the FTA will provide more secure access to the U.S. market and will mitigate the sometime arbitrary and politically driven trade action of the past. The OMA called on the Committee and the Legislature to formally support the agreement.

The OFIA pointed out that continued growth in the industry depended on secure access to the American market which accounted for approximately \$3.4 billion of the industry's \$8.5 billion in production.

The OFIA said that, "Non-tariff measures have become a more serious threat to predictability and security of access than tariffs themselves. It is our belief that the dispute settlement mechanisms negotiated in the agreement will alleviate this threat."

We do not believe that the province's resource exporters are "kidding themselves" when they state that the FTA provides for more secure access and improved dispute settlement.

On the contrary, we think that these major exporters know their business and have a very good understanding of the political and economic factors which influence their trade position and performance.

Therefore we are inclined to believe the province's exporters when they tell us that the FTA represents a substantial improvement on the status quo.

In sum, as one witness told the Committee, as a result of the DSMS negotiated in the FTA, Canada will no longer have to go to Washington on bended knee to plead its case in a process in which it has a voice but no vote. As a consequence of the FTA Canada will act as a full and equal partner in the resolution of trade disputes.

In our opinion this represents a very real improvement over the current situation and one of the most important gains achieved by this nation in the Agreement.

As Richard G. Lipsey of the C.D. Howe Institute told the Committee:

- o The United States' offer of preferential access to its mass market has made Canada the envy of the trading world. For a small trading country whose economic health depends critically on exports, the offer is too good to turn down. The business community, which is risking its capital and its livelihood, is overwhelmingly in support. Listen to it. To reject the Agreement is to reject one of the most imaginative proposals to make progress on all aspects of market access to come our way since we were first offered charter membership in the GATT.

THE FTA AND THE AUTO PACT

The impact of the FTA on the automotive sector and the Auto Pact was the subject of considerable discussion before and by the Committee.

This matter is naturally of vital interest to Ontario where automotive exports account for over half of our total export trade.

It is beyond dispute that the Auto Pact, more than any other single factor, has been responsible for the transformation of the Canadian automobile industry from a small, inefficient operation sheltered by a high tariff wall into the large, efficient competitor it is today

It remains a source of some amazement to us, and we are sure to other Canadians, that the province of Ontario which more than any other region of this nation has gained the most from bilateral trade liberalization, now stands opposed to an Agreement which will do in some measure for other regions and industrial sectors what the Auto Pact has done for this province and the automotive industry.

We are convinced that anyone interested in the future of the Canadian automotive industry will welcome and support the automotive trade provisions of the FTA.

We are also concerned that rejection of the FTA will invite either amendments to the Auto Pact or its abrogation, neither of which are in the best interests of this country and province.

Unfortunately, these views were not shared by the majority of

the Committee. The majority report concludes that the provisions of the FTA dismantle the Auto Pact and fail to ensure that Canada maintains a fair share of North American production in the long term.

We find that the Committee's conclusions regarding the impact of the FTA on the Auto Pact and on automotive trade cannot be sustained.

These conclusions, based on the assumption that the elimination of tariffs removes incentives for manufacturers to meet Canadian production safeguards, ignore three key facts.

- o First, as noted by the Canadian Motor Vehicle Manufacturers' Association, "The Canadian version of the Auto Pact is unchanged. Companies electing to continue to operate within Auto Pact provisions ... must meet the same 'Canadian value added' and 'Production-to-sales' ratios as at present".
- o Second, tariffs have been declining under the Auto Pact for more than the past twenty years. Currently, tariffs on automobiles are about half what they were in the mid-sixties and tariffs on parts have been reduced from 25% to 9.2% over that same period. There is no evidence whatever that these reductions have undermined Canadian production safeguards. In fact, Canadian production is presently running at a level almost double the safeguard level.
- o Third, while the FTA will dismantle the tariff fence around the Auto Pact it ensures that manufacturers will still have a significant incentive to meet the safeguards. Under the FTA Auto Pact members who honour the safeguards will continue to benefit from the privilege of duty free import of vehicles and parts from third countries. It is estimated that this privilege saves the producers some \$300 million annually.

The significance of this incentive has been downplayed by Canadian opponents of the FTA, however its importance has not been lost on American critics of the Agreement, such as the

United Auto Workers [UAW], who complain that the Agreement gives Canada an unfair advantage in auto trade.

The UAW has argued:

- o This benefit is worth an estimated \$300 million annually to the Big 3 auto companies. Canada's use of these Auto Pact implementation conditions has contributed to disproportionate growth in Canadian vehicle assembly capacity. The continuation of these one-sided provisions under the FTA would serve to protect Canadian capacity if cutbacks in overall North American production take place. The reaction of North American based producers to current trends in the growth of built-up imports and transplant assembly is likely to include plant closings to reduce excess capacity. The failure of the FTA to change the terms of the Auto Pact makes reduction in U.S.; rather than Canadian, production a preferable move for the companies.

Thus, the provisions of the FTA not only provide a real incentive for companies to meet the Canadian safeguards, [and a credible sanction to be used if they don't], but will also function to protect Canadian jobs and plants in the event of an overcapacity crisis.

No less an authority than the Premier's Council has said that overcapacity could be a major problem for the North American industry in the near term.

In Volume 11 of its report Competing in the New Global Economy: Industry Studies the Council notes:

- o Some analysts predict a two to three million unit passenger car overcapacity in North America by 1990. This could result in the closure of as many as ten assembly plants in North America, with an estimated job loss of 150,000 in the auto industry. Indeed, an analysis of the

North American assembly capacity indicates that two to three million unit overcapacity may be conservative and predicts a figure closer to five million units.

The Council goes on to note that "overcapacity will force a significant rationalization of North American plants."

The auto trade provisions of the FTA, as we pointed out earlier, will serve to protect Canadian plants and jobs in the event of industry rationalization caused by overcapacity.

Thus the FTA will safeguard the competitive position of the Canadian auto manufacturers who are, according to the Premier's Council, "well positioned" to meet intensified competition.

This can hardly be construed as a dismantling of the Auto Pact or as injurious to the Canadian automotive sector.

The FTA improves on the Auto Pact in another area, that being the new more stringent content rule.

The new 50% direct production cost rule represents a real increase over the current 50% of invoice price rule. [Federal calculations indicate that the new rule is the equivalent of a 70% requirement on the old basis.]

This change opens up a major new market opportunity for Canadian parts makers and we find no evidence to support the view that Canadian parts producers will not be able to take full advantage of these new opportunities.

Over the 1982 to 1986 period employment in the Canadian auto parts industry nearly doubled and the Canadian industry's share of the North American parts market increased by more than 30%.

The competitiveness of the Canadian auto parts sector was also noted by the Premier's Council in its Industrial Studies Report in which the Council stated:

- o Canadian-owned parts manufacturers are extremely competitive in cross-border trade. They produce high-quality products, and a greater proportion of these companies have achieved the quality standards set by the vehicle assemblers (known as Q1 at Ford and Spear 1 at G.M.) than their U.S. counterparts have.

Our parts makers then are obviously quite competitive and well positioned to take full advantage of this new opportunity.

Further, we find no grounds for the concern that FTA provisions, including the closure of Auto Pact membership, will discourage foreign investment in the automotive sector or result in a GATT challenge.

In our opinion, if this country had maintained its duty remission programs it would have faced an American countervail action. By providing for the orderly phase-out of these programs, Canada has avoided the possibility of such an action and by removing that uncertainty has arguably improved the investment climate.

Further, foreign auto-makers still have an incentive to invest

in Canada because as long as they meet the rule of origin requirements, they will qualify for reduced tariff access to the American market.

Nor do we believe that limiting Auto Pact membership will result in a GATT challenge. Indeed, as suggested to the Committee by BCNI, it is more likely that universalizing the Auto Pact would be in violation of the GATT and would result in retaliatory trade actions by affected countries.

[We also note in passing that the option of extending Auto Pact membership to all foreign producers was recommended by the Federal Task Force on the Canadian Motor Vehicle and Auto Parts Industries. This recommendation was not accepted by the then Liberal Government of Canada in 1983.]

Given these considerations we find the Committee's conclusion that the Auto Pact has been dismantled to be, to put it as mildly as possible, sheer nonsense.

In our opinion, if the Committee wants to ensure that we continue to enjoy the benefits of the Auto Pact, then it should support the FTA. If we reject the FTA we are practically inviting efforts to amend or abrogate the Auto Pact.

The Auto Pact is a bilateral agreement which may may be terminated by either party on one year's notice.

Both John Crispo and Donald Macdonald advised the Committee

that in recent years the Auto Pact as come under attack by a coalition of American interest groups. The governors and congressional delegations of the seven leading auto producing states, as well as the UAW, have all called for drastic changes to the Auto Pact, including the removal of Canadian production safeguards.

Far from dismantling the Auto Pact the FTA has, as Donald Macdonald said, "served to enshrine the original terms of the Auto Pact that provide for Canadian safeguards ... In the absence of such an agreement, it is fair to conclude that the Americans would have abrogated the Auto Pact and insisted on an automotive agreement much more in their favour."

As the Ontario Chamber of Commerce put it:

- o The Auto Pact has not only been maintained but improved as offshore producers will have a real incentive to buy Canadian parts and materials; we have come out better in the Auto Pact in the trade agreement than we would have had we been forced to renegotiate it by itself.

The future of the 125,000 Ontario jobs which directly depend on a healthy automotive sector is more certain under the umbrella of the FTA, then will be the case if the FTA is rejected.

This will be all the more the case if an overcapacity problem develops in the North American industry. In that event, and if the FTA is not implemented, we would expect the Americans to abrogate the Auto Pact in an effort to maintain American plants and jobs.

Opponents of the FTA do not seem to appreciate that they risk killing two birds with one stone - the shot that brings down the FTA could also kill the Auto Pact.

Should the rejection of the FTA result in either the abrogation of the Auto Pact or its amendment in a manner detrimental to Canadian workers and producers, then opponents of this Agreement will have much to answer for, especially here in Ontario.

THE FTA AND ENERGY TRADE

The degree of misunderstanding about the impact of the FTA on the Auto Pact is almost negligible when compared to the level of misapprehension related to the energy trade provisions of the Agreement.

The alarms sounded in response to the energy chapter have left some with the mistaken impression that the day after the Agreement is signed is the day we begin to freeze in the dark.

The terms of the Agreement however do not warrant the overheated hyperbole they have generated in some quarters.

It strikes us as most peculiar that, if the energy provisions are as obnoxious as the critics claim, the Agreement would be supported by Canada's major energy producing provinces.

Yet the provinces of Alberta, Saskatchewan, Quebec and Newfoundland, whose off-shore resources make it potentially a major energy supplier, provinces whose prosperity depends to no small degree on the efficient management of energy resources, all support the FTA.

They support the FTA because they see through the brownout of myths and distortions to the benefits the Agreement offers Canadians.

They support the FTA because they see that it establishes a framework within which they can pursue the rational development of their energy resources and because, as noted by the Board of Trade of Metropolitan Toronto, the Agreement will contribute to a reduction in regional disparities.

While free trade in energy was largely in place before the FTA was negotiated, by removing the few restrictions that do exist, the Agreement ensures that Canadian producers will enjoy secure access to the American market.

Of special interest and benefit to Ontario is the fact that the FTA provisions include electricity exports which are currently not covered by GATT. This will reduce, if not eliminate, the vulnerability of Canadian electricity producers to efforts by groups in the United States to limit imports of Canadian electricity.

These positive aspects of the FTA's energy provisions are recognized by Ontario Hydro whose economic assessment of the Agreement observed that the FTA reduced the likelihood of such a trade action being brought against Canadian electricity exports.

The removal of U.S. and Canadian restrictions on trade in uranium will also be of some modest benefit to the province.

The Agreement maintains the ability of Canadians to ensure the security of their energy supplies. The proportional access provision, which has attracted so much negative comment, is an extension of the principles embodied in the oil sharing agreement committed to by the then federal Liberal Government of Canada in 1974 through the International Energy Agency.

In addition, by removing uncertainties which have discouraged private investment in the Canadian energy sector, and by retaining for this country the right to assist the development of energy mega-projects on a case by case basis, the Agreement will facilitate the development of new energy reserves.

As the Economic Council of Canada, [ECC], has noted:

- o By guaranteeing the continuity of Canadian energy supplies to the United States, Canada has paved the way for expanding its own oil, gas and hydro-electric development - projects that are usually large in scale and expensive.

Furthermore, there is nothing in the Agreement which forces Canada to sell energy to the United States. As Professor

Crispo noted in his submission to the Committee, the proportional sharing provisions apply only to the energy which Canada chooses to sell to the United States and then only for the duration of existing contractual arrangements.

Under the Agreement Canada retains the right to determine when and whether to approve energy exports. The National Energy Board, [NEB], will continue to function and to apply two of the three price tests it currently uses in the export review process

This will ensure that the export price provides for full recovery of Canadian production costs and is not less than the price charged to Canadians for a similar service.

Aside from the NEB tests, the Agreement will allow the market to determine the price of energy. This means that Ontario Hydro remains free to obtain the best commercial price it can for its power in export sales just as it does today.

On the pricing side, the only thing that will change as a consequence of the FTA is that neither country will be able to impose a discriminatory export tax or other levy, that governments will no longer be able to intervene directly to set export prices.

Given the disastrous impact of the National Energy Program on the energy producing regions of this country, and the economic distortions and inefficiencies which result from such a policy,

the elimination of this option should not be considered a loss.

As for the impact of the Agreement on Ontario's utility, Ontario Hydro's primary mandate - to supply power at cost to the consumers of the province - will not be effected in any way by the FTA.

Ontario Hydro's sales to the United States represent only about 4% of its total sales almost all of which are based on short term contracts which allow for interruptions in delivery.

There is simply nothing in the FTA which would force Ontario Hydro to sell more electricity to the United States or to sell on a long term non-interruptable contract basis.

Under the energy trade provisions of the FTA this country maintains its ability to control its energy future, uncertainties which have discouraged the development of new energy reserves are removed, Canadian energy producers are guaranteed nondiscriminatory access to the American market, the rights of the provinces with regard to ownership and control are respected and regional disparities will be reduced; all of which are clearly in the national interest.

In our opinion, the major energy challenge facing Ontario as a consequence of the free trade agreement will be to ensure that domestic supply will be adequate to meet domestic demand.

Ontario Hydro has projected that, as a consequence of the

increase in economic growth caused by the implementation of the FTA, domestic demand for electrical power will rise by more than 3%.

If the Government of Ontario is serious about wanting to build a secure energy future for this province then it should concentrate on meeting that challenge instead of fighting free trade phantoms.

THE FTA AND WATER RESOURCES

As in the case of the Agreement's energy provisions there has been considerable concern and confusion about the impact of the FTA on our ability to manage and conserve our water resources.

Critics of the Agreement have argued that because water was not explicitly excluded from the FTA the possibility exists that the Americans will drain and drink Canada dry.

These concerns have been adequately addressed by the federal government's amendment to Bill C-130 which stated: "For greater certainty nothing in this Act or the Agreement, except Article 401 of the Agreement, applies to water." [Article 401 deals with the elimination of tariffs on trade in bottled water]

The Americans were informed of this amendment and had no objections to it, lending considerable credibility to the position that fresh water was never part of the FTA.

Had the Americans thought that our fresh water resources were included in the Agreement then they could reasonably have been expected to object to an amendment which removed it.

The federal government has said unequivocally in the amendment to Bill C-130, in the federal water policy and in the recently introduced Bill C-156, The Canada Water Preservation Act, which bans large scale water exports, that our water is not for sale.

We find no merit in the suggestion that the Agreement itself has to be re-opened to specifically exclude fresh water. Aside from the fact that it would be impossible to exclude what was not included in the first place, the amendment to Bill C-130, federal water policy and Bill C-156 provide adequate protection for this resource.

Given that Canada's water is not for sale, we would urge the Government of Ontario to either withdraw or substantially amend Bill 175, The Water Transfer Control Act, which, if passed, will establish for the first time in our province's history and in direct contradiction to the policies pursued by previous administrations, a system for regulating by ministerial consent the transfer and sale of Ontario water.

The Ontario Government introduced Bill 175, a dangerous and unwelcome piece of legislation, for purely political reasons. We recommend that the Government of Ontario either withdraw the

bill, or amend it to clearly prohibit large scale water transfers and sales.

THE FTA AND THE AGRICULTURE AND FOOD SECTOR

There is a division of opinion in the Ontario and Canadian agriculture and food sectors over the costs and benefits of the FTA.

While agricultural organizations such as the Ontario Federation of Agriculture, the Christian Farmers' Federation of Ontario and the National Farmers' Union have largely supported the Ontario government's position as set out by the Ontario Ministry of Agriculture and Food, [OMAF], the Agreement has been supported by the pork and red meat sectors.

The OMAF analysis of the FTA concluded that the Agreement's agricultural trade provisions represented a limited but negative package for the Ontario industry which will cost the provincial industry an estimated loss of \$95 million a year in farm income.

We find the OMAF analysis to be outdated and inaccurate.

For example, the \$95 million total includes a \$10 million loss attributed to the impact on the dairy industry of increased competition from U.S. ice cream and yogurt.

However, the federal government added a large number of dairy products to the Import Control List on January 19, 1988, a move which will substantially curtail competition from U.S. sources.

OMAF also attributes a \$6 million loss to the poultry sector due to a proposed increase in the global import quota. But the new quota simply represents the old quota plus the supplementary shipments the U.S. has traditionally made.

Further, OMAF maintains that the elimination of the two-price system for wheat will cost about \$30 million a year. However, the estimate ignores the impact of the federal government's \$227 million [in the 1988-89 crop year] support program which was introduced to compensate for the termination of the two price system. Under the program Ontario farmers could receive up to \$47 million.

We find that, on balance, the FTA will have a positive impact on the Ontario industry for the following reasons:

- o The Agreement enhances access to our major market for agricultural exports at a time when the importance of that market is increasing, [in the first half of 1987, Canadian agricultural exports, excluding grains and oilseeds, to the U.S. market accounted for 61.6% of total agricultural exports as compared to 37.3% of total in 1981], and the international agriculture trade environment is destabilized.
- o The Agreement expands export opportunities for a large number of farm commodities including cole crops, pork, red meat, high quality wheat and oats, oilseeds and cheeses.
- o The Agreement recognizes the sensitivity of our horticultural and tender fruit sectors and protects them

from serious disruption via the snapback provisions.

- o The Agreement maintains our supply management and farm marketing systems.

The modest scope of the agriculture trade provisions of the FTA demonstrate that it is beyond the reach of a bilateral agreement to come to terms with all the complex problems which are currently plaguing world agricultural trade.

As a member of GATT and the Cairns Group, this country has taken a lead role in agricultural trade reform efforts and was the second nation to table its position at the current round of GATT talks.

We believe the Government of Ontario should encourage and support the federal government's initiatives in this area and in particular its efforts to secure a major reduction in trade-distorting subsidies and major improvements in market access at the global level.

However, we cannot wait for the ponderous GATT process to generate those solutions. The Tokyo Round took six years to negotiate and eight years to implement. We cannot say with any certainty how long the current round of negotiations will take nor if they will result in any improvements in agricultural trade. The FTA offers secure access to our most vital agricultural export market, access which we need and will continue to enjoy regardless of what happens at the GATT.

THE FTA AND THE GRAPE AND WINE INDUSTRIES

Nothing better illustrates how time and events have passed this Committee by then developments in the grape and wine industries.

Long before this Committee reported the governments of Canada and Ontario had moved to assist the provincial industry adjust to new competitive pressures arising from the GATT panel ruling and the FTA.

In Ontario the Wine Content Act was revised and the federal and provincial governments announced a \$100 million program to improve grape quality and the competitive position of the wine industry.

While the Ontario government, for political reasons, cannot acknowledge that the program announced August 30, 1988 represents a response to the FTA as well as to the GATT ruling, that is clearly its intent and objective.

In this case, and we would argue generally, the government of Ontario has begun to prepare for the implementation of the FTA while still conducting its war of words against the Agreement.

Whether or not the FTA is implemented, the grape and wine industries face large scale restructuring as a result of last year's GATT panel findings on provincial pricing and listing practices.

It remains our position that the GATT ruling, and not the FTA, poses the most significant challenge to the future of the Ontario grape and wine industries.

In terms of both volume and value, sales of European imports dwarf sales of American wines in the Canadian and Ontario markets.

EEC producers account for 93% of wine imports into Canada. In 1986 American wine exports to this country amounted to \$10 million but European exports were 24 times as large.

In that same year in Ontario, European imports accounted for 53.2% of total wine sales while American imports accounted for a mere 0.6% of total wine sales.

Again, however, we are in a situation in which we will have to adjust and restructure regardless of the fate of the FTA, so the question once again is will the FTA make the adjustment process easier or more difficult.

By opening up new market opportunities for Ontario wines and encouraging quality improvements we believe the FTA will make it much easier for our industries to adjust to increased European competition.

We do not deny that some wineries will suffer as a result of the implementation of the FTA and would expect that the wines

most likely to be hurt by increased American competition to be the low-end-of-scale table wines which are mass produced very cheaply by California wineries.

Ontario wines in the premium, superpremium and ultra-premium classes are competitive and may now be at an advantage. U.S. consumer tastes are changing from the cheaper jug wines to much more expensive quality wines as evidenced by the fact that jug wine demand in the U.S. has been dropping by 3% annually since 1980, while superpremium/premium demand has increased by 20% annually since 1984.

In the short term we may face an influx of cheap jug wine which will be counterbalanced by new export opportunities from premium estate wines.

In the longer term, "cheap" wine imports are more likely to come from Spain, Italy and Australia while American vineyards switch to higher quality grapes.

Exports of premium Ontario wines should grow as more vineyards of high-quality French hybrid and Vinefera varieties are planted and come into production, as quality improves and as our wineries become more proficient at marketing in the U.S.

Domestic sales will also increase if the Canadian market parallels the increasing sophistication of demand among U.S. consumers.

Whether or not the FTA is implemented, the future of the Ontario grape and wine sector depends on quality improvements and specialization both of which will be encouraged by the Agreement.

THE FTA AND INVESTMENT

During the Committee hearings two basic concerns were expressed about the impact of the FTA on American investment in Canada and on Canadian investment policy.

First, that the investment provisions of the Agreement represented a significant shift in Canada's approach to foreign investment which would reduce the ability of Canadian governments to ensure that their citizens benefit from foreign investment.

Second, that the FTA would result in American divestment in Canada through the closure of so-called "tariff factories".

While the Agreement does prohibit investment related performance requirements and provides for a phased increase in the review threshold for direct acquisitions and the phased elimination of the review process for indirect acquisitions, it is consistent with the approach taken in this decade by both Liberal and Conservative Canadian governments and with trends influencing investment policy around the world.

With regard to the consistency of the Agreement with recent federal investment policies, Professor A. E. Safarian notes that Canadian federal governments have adopted much more liberal policies since FIRA regulations and operations were eased in 1982 and particularly since the Investment Canada Act came into force on June 30, 1985.

Though investment rules will be less restrictive, the Agreement retains for Canadian governments a tremendous degree of flexibility and the use of a broad range of policy instruments to ensure that the national interest is protected.

For instance, even under the more liberalized regime, 75% of the total non-financial assets in Canada currently subject to review will remain reviewable.

The new investment rules will not apply to the ownership restrictions on acquisition and sale of Crown Corporations and the right of Canadian governments to establish new Crown Corporations in the future is fully retained.

The Agreement, in Article 1607, grandfathers all current foreign investment rules including those in sensitive sectors such as cultural industries and the energy sector.

As can be seen the Agreement retains for Canada many of the existing policies and powers it currently has at its disposal to ensure that investment serves the Canadian interest. As Professor Safarian has stated, "... Canada has given up rather

little in terms of actual practice."

Even opponents of the Agreement who are supporters of the GATT should not lament the prohibition against performance requirements.

For, as BCNI stated in its submission:

- o ... performance standards which discriminate against foreign firms are a violation of the GATT and their application by Canada would result in reciprocal discrimination against Canadian firms operating in the U.S. ... Performance standards also constitute non-tariff barriers to trade which reduce the efficiency of markets. Since Canada's investment in the U.S. is growing much more quickly than U.S. direct investment in Canada, Canadian businesses would be disadvantaged if both countries adopted domestic sourcing performance standards for foreign investment.

The Agreement does not prohibit the negotiation or use of product mandates, research and development or technology transfer agreements with foreign investors thereby enabling Canadians to continue to ensure that investment improves the competitive position of our industries.

We would also advise the rest of the country to take all the Ontario government's hand wringing about the FTA's investment provisions with a large grain of salt.

As Professor John Crispo said in an exhibit showing how the FTA met the six conditions set by the Ontario Liberal government, it was the Premier of Ontario who:

- o ... had given away one of Canada's trump cards in the

investment arena by himself throwing open Ontario's securities industry to foreign takeovers without securing anything in return let alone insisting on any restrictions or thresholds or anything else.

This puts the Committee's recommendation that the Government of Ontario, to the limit of its constitutional jurisdiction, "develop and implement policies in order to maintain and enhance Canadian control of vital resources and industries" in a very peculiar light.

Beyond that, we believe that if "enhancing Canadian control" means discouraging foreign investment then it would be very shortsighted for the Government of Ontario to adopt such a as it would be inconsistent with the long term best interests of the province and with the efforts of the Ontario Ministry of Industry, Trade and Technology to attract foreign investment and to promote Ontario as a good place to do business.

In return for a number of limited concessions Canada, through the Agreement, has won secure nondiscriminatory access for its investors to the American market.

Twenty, or even ten years ago, this would not have been thought to be of much importance. However, things have changed considerably and the investment provisions of the FTA represent a rational and positive response to today's environment.

Two of these changes are especially noteworthy.

First, as Professor A. E. Safarian reported in The Canada - U.S. Free Trade Agreement and Foreign Direct Investment, since 1970 foreign control of Canadian industry has fallen from about 36% to 26%. Currently, the level of foreign control of Canadian assets stands at a fifty year low. This is not the result of any decrease in the level of foreign direct investment in Canada, which has doubled over the 1984 to 1987 period, but the massive growth in asset investment by Canadians.

Second, at the same time the level of foreign control of the Canadian economy was declining, Canada emerged as a major international investor with Canadian investment in the United States increasing at a rate three times that of American investment in Canada.

As Richard Lipsey and Robert York have argued in Evaluating the Free Trade Deal:

- o Canada is now a major foreign investor and, as such, its national interest lies more in establishing fair rules of national treatment for Canadian firms investing in the United States - either through takeovers or the establishment of new U.S. subsidiaries - than in restricting foreign capital coming into Canada.

Moreover, as Professor Safarian has noted, Canadian multinationals have quickly come of age which has forced Canadian authorities to view investment from the perspective of an important home country for multinationals:

- o In particular, Canada now recognizes the need for a more

stable and less restrictive investment environment for such firms, which the Agreement will ensure. Another of Canada's concerns is the degree to which Canadian multinationals are now investing in the United States, at least in part to avoid actual or threatened protectionist measures. Home countries usually prefer, whenever possible, that their firms export, rather than invest abroad. What the Agreement does, in effect, is to reduce the incentive for protection-induced direct investment in the United States ...

In this context the FTA will advance a process which the Ontario Premier's Council has stated is essential if this country and province are to be globally competitive. In the first volume of its report Competing in the New Global Economy the Council stated:

- o Success in the high growth industries of today and the emerging industries of tomorrow will require a set of economic skills we have not yet mastered. Primarily, these are the talents for creating and sustaining multinational enterprises which compete, not on the basis of low labour or raw material costs, but rather through a process of continual renewal of their products, their systems, their factories and their people.

By creating a more stable and less restrictive investment climate the FTA will help Canadians master the set of economic skills which the Premier's Council has identified as being imperative for future economic growth.

In this new environment it only makes sense for Canada to negotiate an agreement which reduces the threat of protectionism and future restrictions on access.

It makes sense for Canada to shift the focus of its investment policies away from the priorities of the sixties and the seventies, controlling foreign ownership, to the priorities

of the nineties, financing the industrial restructuring of our core industries, encouraging investment in high growth and emerging industries and fostering and sustaining the growth of successful Canadian multinationals.

Meeting these priorities will not be cheap and foreign investment should not be discouraged particularly since the Agreement retains for Canada the tools it requires to ensure that investment serves and furthers the national interest.

Those who argue the case for industrial restructuring while calling for more restrictive investment policies are asking this country to base an industrial strategy for the year 2000 on an investment policy designed for the 1960s.

As for the second concern, that the FTA will cause divestment, evidence presented to the Committee by Alan Rugman and A.E. Safarian indicates that these fears are largely without foundation.

Professor Safarian has concluded that the Agreement changes the major determinants of investment in ways largely favourable to Canada, and that:

- o Fears of a major exodus of foreign-owned firms and capital from Canada in response to a bilateral free trade agreement with the United States are much exaggerated. Some divestment will occur in some firms and industries, but the offsets in manufacturing are substantial. ... It is highly unlikely that all of this will lead to net divestment. The investment that remains, moreover, will not levy a permanent tax on consumers in a way that tariff induced investments often do. Finally, once one takes account of the reactions by firms to market entry, direct

investment may well increase both ways for a time.

We have already made reference to Professor Rugman's survey which found that Canadian multinationals and U.S. subsidiaries, the major players in bilateral trade, do not anticipate that the Agreement will result in either high adjustment costs or plant closures.

Fears that the Agreement will lead to an exodus of capital and the closure of tariff factories are then largely chimerical.

If the Agreement is not ratified however, the factors which cause our multinationals to make protectionist induced investment decisions will be unchanged, Canadian firms denied the benefit of tariff free access to the American market will have every incentive to gain access to that market by building plants and creating jobs in the U.S., protectionist sentiments in the United States will be strengthened with an increased risk of new barriers to trade and investment and Canada's ability to compete for international investment will be seriously damaged.

It will be very difficult to attract investment dollars to a country which seems intent on limiting its competitive position and productive capacity through a policy of isolationism and autarky.

CONCLUSIONS AND RECOMMENDATIONS

Having reviewed the Agreement and given due consideration to the testimony and submissions presented to the Committee we have concluded that the Canada - United States Free Trade Agreement should be endorsed and supported by the Province of Ontario.

By helping this country realize its full potential the Agreement will strengthen our ability to protect our interests and to attain our social and economic policy objectives both at home and abroad.

We find that the Agreement is fully consistent with a number of the public policy goals of the Government of Ontario including reduction of regional disparities, trade diversification, the maintenance of the Auto Pact, better protection for Ontario exporters against American trade laws and the restructuring of the Ontario industrial base to make it more globally competitive.

The free trade agreement provides a solid foundation on which Canadians can build a more prosperous and competitive economy to support a more compassionate and equitable society.

The free trade agreement will enable Canadians to more effectively respond to the challenges of industrial restructuring and the globalization of trade and investment, challenges we are facing and will continue to face regardless

of the fate of the FTA.

The free trade agreement will generate significant direct and indirect economic benefits which will be achieved without compromising our sovereignty, without undermining our culture and identity, and without limiting our policy autonomy and flexibility.

The free trade agreement will enable other regions of this country to share in the benefits of more liberalized bilateral trade with the United States, a trading relationship which, through the Auto Pact, has enriched this province.

The free trade agreement is consistent with Canada's commitment to the GATT and will facilitate the efforts of this country and this province to diversify trade.

We support the free trade agreement because Canadians have progressed beyond the point where knee-jerk anti-Americanism, cultural chauvinism and economic jingoism can be held as synonymous with Canadian nationalism or serve as a rational basis for Canadian policy.

We support the free trade agreement because a prosperous economic future for this country depends on borders which are open not closed and on industries which are productive not protected.

In our view the free trade agreement with the United States is

both a symbol and a product of Canada's political and economic maturity, a sign that this country has emerged from its adolescence with a sure sense of its identity, a new confidence in its abilities and an awareness of its potential and responsibilities.

If we reject this Agreement we reject, not only the economic and employment benefits which would flow from it, but a new mature role for our nation in the international economic system.

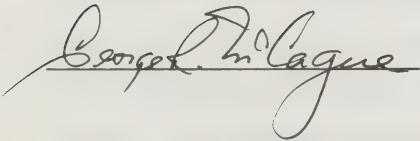
The choice is clear - we can play Peter Pan and stay in the nursery haunted by the bogey man of American domination; or we can get on with the job of building a more prosperous and competitive country, confident in our ability to chart our own course and to achieve our own goals in a manner consistent with our values.

We see no reason why the future of this nation should be shaped by the dead hand of old fears we have outgrown. We do not believe that the opportunities for the next generation of Canadians should be sacrificed to the preoccupations of the past.

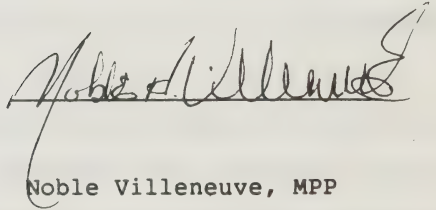
For these reasons we recommend that:

1. The Government of Ontario support and endorse the free trade agreement.
2. The Government of Ontario abandon its pointless efforts to provoke a constitutional confrontation with the federal government over the FTA.

3. The Government of Ontario, in consultation with business, labour and the federal government, assist workers displaced by competitive pressures.
4. The Government of Ontario either withdraw Bill 175, the Water Transfer Control Act, or substantially amend it to clearly prohibit the large scale transfer or sale of Ontario water.

A handwritten signature in cursive script, reading "George McCague", written over a horizontal line.

George McCague, MPP

A handwritten signature in cursive script, reading "Noble Villeneuve", written over a horizontal line.

Noble Villeneuve, MPP

APPENDIX C

Terms of Reference

TERMS OF REFERENCE

Standing Committee on Finance and Economic Affairs

Standing Order 90(e)

Standing Committee on Finance and Economic Affairs which is empowered to consider and report to the House its observations, opinions and recommendations on the fiscal and economic policies of the Province and to which all related documents shall be deemed to have been referred immediately they are tabled.

Votes and Proceedings

No. 87

Wednesday, June 29, 1988

Standing Committee on Finance and Economic Affairs to consider the U.S.-Canada Free Trade Agreement and federal tax reform proposals. The Committee shall have authority to adjourn to Geneva, Switzerland, to attend meetings with officials of GATT, to Brussels, Belgium, to attend meetings with officials of the European Economic Community, and to Paris, France, to attend meetings with officials of the Organization for Economic Co-operation and Development. The Committee is authorized to release any report during the Summer Adjournment by depositing a copy of the report with the Clerk of the Assembly and, upon the resumption of the meetings of the House, the Chairman of the Committee shall bring any such report before the House in accordance with the Standing Orders.

APPENDIX D

List of Witnesses

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1st Session, 34th Parliament

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Lambton County
- John Johnson (Dairy)
Middlesex County
- Rick McCracken (Poultry)
Middlesex County
- Earl Muir (Grapes)
St. David's - Niagara Peninsula
- David Alderman (Wheat)
Lambton County
- Joseph Szentimrey (Beef, Cattle)
Brant County

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KEITH HYDE

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- C. F. Safrance
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- Linda Frum
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MEL G. CLARK

Retired Deputy Head, Canadian Delegation to the
General Agreement on Tariffs and Trade, Tokyo Round

APPENDIX E

List of Exhibits

STANDING COMMITTEE ON FINANCE AND ECONOMIC AFFAIRS

1ST SESSION, 34TH PARLIAMENT

E X H I B I T S

FREE TRADE REVIEW

- | | |
|---------------------|---|
| EXHIBIT NO. 1/01/01 | LEGISLATIVE RESEARCH SERVICE
- "Federal Provincial
Consideration on Canada-U.S.
Free Trade. |
| EXHIBIT NO. 1/01/02 | C. D. HOWE INSTITUTE -
Commentary : Closing a Trade
Deal - The Provinces' Role
(Source - Legislative
Research Service). |
| EXHIBIT NO. 1/01/03 | CANADIAN INDEPENDENT COMPUTER
SERVICES - a response to the
proposed Free Trade, prepared
by W. H. Loewen, dated 5
October 1987. |
| EXHIBIT NO. 1/01/04 | SYLVIA SIMON - Letter dated
24 November 1987 presenting
her personal view on the
Free Trade Agreement. |
| EXHIBIT NO. 1/01/05 | GOVERNMENT OF CANADA -
Canada-U.S. Free Trade
Agreement, Elements of the
Agreement - TRADE; Securing
Canada's Future, preliminary
transcript, dated copy
7/10/87. |
| EXHIBIT NO. 1/01/06 | LEGISLATIVE RESEARCH SERVICE
- The Constitution Acts:
Areas of Provincial
Jurisdictions, paper
submitted by David Bedford,
Research Officer, dated 9
December 1987. |
| EXHIBIT NO. 1/01/07 | LEGISLATIVE RESEARCH SERVICE
- Canada-U.S. Free Trade
Questions on Jurisdiction,
paper submitted by Anne
Anderson and Ray McLellan,
Research Officers,
dated 9 December 1987. |

EXHIBIT NO. 1/01/08	LEGISLATIVE RESEARCH SERVICE - The GATT Uruguay Round 1986 - paper submitted by Ray McLellan, Research Officer, dated 9 December 1987.
EXHIBIT NO. 1/01/09	THE CANADA-U.S. FREE TRADE AGREEMENT SYNOPSIS - TRADE: Securing Canada's Future.
EXHIBIT NO. 1/01/10	CONSTITUTIONAL ASPECTS OF FREE TRADE - remarks by the Hon. Ian Scott, Attorney General, dated 15 December 1987.
EXHIBIT NO. 1/01/11	LEGISLATIVE RESEARCH SERVICE - Free Trade Consultations/Hearings 1988 - Preliminary List of Witnesses - prepared by Ray McLellan, Research Officer, dated 15 December 1987.
EXHIBIT NO. 1/01/12	H. SCOTT FAIRLEY - Submission entitled "The Federal Division of Powers and Implementation of the Canada- United States Free Trade Agreement".
EXHIBIT NO. 1/01/13	HOUSE OF COMMONS STANDING COMMITTEE ON EXTERNAL AFFAIRS AND INTERNATIONAL TRADE - Report on the Canada-U.S. Free Trade Agreement tabled in the House of Commons dated 5 October 1987.
EXHIBIT NO. 1/01/14	HOUSE OF COMMONS STANDING COMMITTEE ON EXTERNAL AFFAIRS AND INTERNATIONAL TRADE - Issue No. 30, Minutes of Proceedings and Evidence pursuant to Standing Order 96(2) consideration of the Canada-U.S. Free Trade Agreement tabled in the House on 5 October 1987.

EXHIBIT NO. 1/01/15

HOUSE OF COMMONS STANDING
COMMITTEE ON EXTERNAL AFFAIRS
AND INTERNATIONAL TRADE -
Issue No. 31, Minutes of
Proceedings and Evidence
pursuant to Standing Order
96(2) consideration of the
Canada-U.S. Free Trade
Agreement tabled in the House
on 2 November 1987.

EXHIBIT NO. 1/01/16

LEGISLATIVE RESEARCH SERVICE
- Paper dated January 1988
prepared by Ray McLellan,
Research Officer, and
entitled "U. S. Perspectives
on Selected Free Trade
Issues.

EXHIBIT NO. 1/01/17

LEGISLATIVE RESEARCH SERVICE
- Paper dated 14 January 1988
prepared by Ray McLellan,
Research Officer, and
entitled "Status of the
Omnibus Trade Bill (U.S.
Congress)".

EXHIBIT NO. 1/01/18

MINISTRY OF INDUSTRY, TRADE
AND TECHNOLOGY - Submission
by Patrick Lavelle on the
Cabinet Sub-committee
on Free Trade Hearings dated
14 December 1987.

EXHIBIT NO. 1/01/19

DARE FOODS LIMITED -
Submission on Free Trade.

EXHIBIT NO. 1/01/20

BUSINESS COUNCIL FOR FAIR
TRADE - Submission on Free
Trade.

EXHIBIT NO. 1/01/21

ASSOCIATION OF CANADIAN
DISTILLERS - Submission on
Canada/U.S. Trade Agreement
dated February 1988.

EXHIBIT NO. 1/01/22

LEGISLATIVE RESEARCH SERVICE
- Paper dated 18 January 1988
prepared by Ray McLellan,
Research Officer, and
entitled "Uruguay Round of
GATT - 1988 Agenda".

EXHIBIT NO. 1/01/23	LEGISLATIVE RESEARCH SERVICES - Relevant newspaper articles submitted by Ray McLellan, Research Officer.
EXHIBIT NO. 1/01/24	MINISTRY OF NATURAL RESOURCES - Statement by George Tough, Deputy Minister.
EXHIBIT NO. 1/01/25	EXPOSITOR - Press clippings dated 9 January 1988 relating to the sale of Trailmobile Group of Companies.
EXHIBIT NO. 1/01/26	MINISTRY OF SKILLS DEVELOPMENT - Proposal to create a Canada Training Allowance dated November 1987.
EXHIBIT NO. 1/01/27	MINISTRY OF SKILLS DEVELOPMENT - Discussion paper entitled "The Canadian Jobs Strategy: Policy and Implementation" to the meeting of Federal- Provincial/Territorial Ministers with Labour Market Responsibilities, Ottawa, January 29-30, 1987.
EXHIBIT NO. 1/01/28	MINISTRY OF ENERGY - Presentation entitled "The Implications of the Energy Trade Provisions of the Free Trade Agreement.
EXHIBIT NO. 1/01/29	MINISTRY OF LABOUR - Submission entitled "The Tentative Free Trade Agreement: Concerns of the Ministry of Labour", dated January 1988.
EXHIBIT NO. 1/01/30	CANADIAN FREE TRADER, NUMBER 24, DECEMBER, 1987 - Miscellaneous articles on Free Trade submitted by Ray McLellan, Research Officer, Legislative Research Library Services.

EXHIBIT NO. 1/01/31(a)	DEPARTMENT OF FINANCE, CANADA - Executive summary entitled "An Economic Assessment" of the Canada-U.S. Free Trade Agreement.
EXHIBIT NO. 1/01/31(b)	DEPARTMENT OF FINANCE, CANADA - Press release entitled "Assessment of Free Trade Agreement Forecasts, Income, Gains, More Jobs", dated Ottawa, 14 January 1988.
EXHIBIT NO. 1/01/31(c)	DEPARTMENT OF FINANCE, CANADA - Copy of the Canada-U.S. Free Trade Agreement, an Economic Assessment, subtitled "Trade: Securing Canada's Future".
EXHIBIT NO. 1/01/32	ONTARIO TRUCKING ASSOCIATION - Submission with respect to the Canada-U.S. Free Trade Agreement.
EXHIBIT NO. 1/01/33	THE BOARD OF TRADE OF METROPOLITAN TORONTO - Submission with respect to the Canada-U.S. Free Trade Agreement.
EXHIBIT NO. 1/01/34	PHILIP COLL - Letter dated 16 January 1988 to the Free Trade Review with respect to the Canada-U.S. Free Trade Agreement.
EXHIBIT NO. 1/01/35	W. E. ROGERS - Letter dated 12 January 1988 to the Clerk of the Committee with respect to the Canada-U.S. Free Trade Agreement.
EXHIBIT NO. 1/01/36	DR. A. K. RAY - Letter dated 14 January 1988 to the Clerk of the Committee with respect to the Canada-U.S. Free Trade Agreement.
EXHIBIT NO. 1/01/37	CANADIAN FOUNDRY ASSOCIATION - Submission of a report entitled "Canada-U.S.A. Foundry Industry Trade Survey" dated 23 October 1987.

EXHIBIT NO. 1/01/38

DAVE NEUMANN, M.P.P. - Submission of copies of correspondence addressed to Hon. Harvie Andre, M.P., Minister, Department of Consumer and Corporate Affairs, House of Commons, Ottawa dated 22 January 1988 regarding the divesting of the Trailmobile Van Production due to the free trade deal.

EXHIBIT NO. 1/01/39

PRICE WATERHOUSE CHARTERED ACCOUNTANTS - Submission of an article from the Competitive Edge, International Trade Memo, entitled "Canada-U.S. Free Trade Agreement, How does it affect you?"

EXHIBIT NO. 1/01/40

KEITH HYDE - Submission of a brief entitled "Free Trade".

EXHIBIT NO. 1/01/41

DAVID OLIVER - Letter dated 15 January 1988 addressed to the Standing Committee on Finance with respect to the free trade.

EXHIBIT NO. 1/01/42

THE TRUST COMPANIES ASSOCIATION OF CANADA INC. - Submission entitled "Free Trade in Financial Services : The View of the Trust Companies Association of Canada", dated 25 January 1988.

EXHIBIT NO. 1/01/43

THE CANADIAN ALLIANCE FOR TRADE AND JOB OPPORTUNITIES - Statement and briefing notes by Mr MacDonald with respect to Free Trade.

EXHIBIT NO. 1/01/44

ONTARIO LUMBER MANUFACTURERS' ASSOCIATION - Statement presented by Yvon Martel, President relating to the Canada-United States Free Trade Agreement.

EXHIBIT NO. 1/01/45	PROFESSOR RONALD WONNACOTT - Statement for Ontario Legislative Committee on the Canada-U.S. Free Trade Agreement.
EXHIBIT NO. 1/01/46	BUSINESS COUNCIL FOR FAIR TRADE - Submission of brief entitled "World Marketing Congress - Proceedings; Managing the International Marketing Function: Creative Challenges of the Eighties" edited by Erdener Kaynak, dated 3-5 November 1983.
EXHIBIT NO. 1/01/47	BUSINESS COUNCIL FOR FAIR TRADE - Submission entitled "Mulroney Trade Deal is a Bad Business Deal".
EXHIBIT NO. 1/01/48	ONTARIO ENGLISH CATHOLIC TEACHERS' ASSOCIATION - Submission by Jim Cooney regarding the proposed Canada-U.S. Free Trade Agreement.
EXHIBIT NO. 1/01/49	UNITED FOOD AND COMMERCIAL WORKERS INTERNATIONAL UNION - Submission on Free Trade.
EXHIBIT NO. 1/01/50	ECONOMIC COUNCIL OF CANADA - Notes for an address to the Business Strategies and Free Trade Conference entitled "Adjusting to Freer Trade: The Track Record" by Judith Maxwell, Chairman, dated 25 January 1988.
EXHIBIT NO. 1/01/51	CONSULTING ENGINEERS OF ONTARIO - Submission entitled "Free Trade, A Service Industry Perspective" dated 27 January 1988.
EXHIBIT NO. 1/01/52	TIMOTHY C HEMMING - Submission with respect to Free Trade between Canada and the United States, dated 28 January 1988.

EXHIBIT NO. 1/01/53	PROFESSOR EDWARD SAFARIAN - Submission assessing the Canada-U.S. Free Trade Agreement.
EXHIBIT NO. 1/01/54	MINISTRY OF INDUSTRY, TRADE AND TECHNOLOGY - Copies of letters addressed to the Honourable Monte Kwinter, M.P.P., Minister, from constituents protesting to the Free Trade Agreement.
EXHIBIT NO. 1/01/55	PROFESSOR FRED LAZAR - Comments on the Free Trade Agreement.
EXHIBIT NO. 1/01/56	LEGISLATIVE RESEARCH SERVICE - Information listing of the services covered under the Free Trade Agreement prepared by Anne Anderson and Ray McLellan, Research Officers.
EXHIBIT NO. 1/01/57	BUSINESS COUNCIL ON NATIONAL ISSUES - Submission from Thomas d'Aquino, Edward Newall, and Alfred Powis on the Canada-U.S. Free Trade Agreement.
EXHIBIT NO. 1/01/58	CANADIAN BANKERS' ASSOCIATION - Clippings dated 4 January 1988 from newspapers on free trade.
EXHIBIT NO. 1/01/59	PROFESSOR EDWARD SAFARIAN - Submission entitled "The Canada-United States Free Trade Agreement and Foreign Direct Investment".
EXHIBIT NO. 1/01/60	THE ASSOCIATION OF CANADIAN PUBLISHERS - Brief to the Committee on Free Trade dated 28 January 1988.
EXHIBIT NO. 1/01/61	HOUSE OF COMMONS STANDING COMMITTEE ON EXTERNAL AFFAIRS AND INTERNATIONAL TRADE - Report on the Elements of the Agreement tabled in the House of Commons on October 5, 1987, dated December 1987.

EXHIBIT NO. 1/01/62	ONTARIO TRUCKING ASSOCIATION - Article prepared by the Sectoral Analysis Group of the Economics Department on the economic impact of deregulation on the Canadian trucking industry, dated June 1986.
EXHIBIT NO. 1/01/63	CANADIAN WINE INSTITUTE - Newspaper clippings from The Toronto Star and The Globe and Mail commenting on the impact Free Trade Agreement would have on the wine industry, various dates of publication.
EXHIBIT NO. 1/01/64	CONSUMERS' ASSOCIATION OF CANADA - Newspaper clippings from the Globe and Mail on the Free Trade Agreement, dated 12 January 1988.
EXHIBIT NO. 1/01/65	MINISTRY OF ENERGY - Submission entitled "Ontario's Future Electricity Demand", dated July 1987.
EXHIBIT NO. 1/01/66	LEGISLATIVE RESEARCH SERVICE - Copy of pamphlet entitled "The Canada-U.S. Free Trade Agreement and Canadian Consumers - An Assessment", from the Consumer and Corporate Affairs Canada, submitted by Ray McLellan, Research Officer.
EXHIBIT NO. 1/01/67	COALITION AGAINST FREE TRADE - Notes for presentation by member groups to the Committee on the Free Trade Agreement.
EXHIBIT NO. 1/01/68	MINISTRY OF CONSUMER AND COMMERCIAL RELATIONS - Remarks by Valerie Gibbons, Deputy Minister, to the Committee on the Free Trade Agreement.

EXHIBIT NO. 1/01/69	RICK FERRARO, M.P.P. - Copy of remarks published in the Calgary Herald entitled "Ontario's house is glass", dated 23 January 1988.
EXHIBIT NO. 1/01/70	UNITED STEELWORKERS OF ONTARIO - Remarks by Leo Gerard and Hugh Mackenzie on the Free Trade Agreement.
EXHIBIT NO. 1/01/71	MINISTRY OF NORTHERN DEVELOPMENT AND MINES - Statement by Brock Smith, Deputy Minister, on the Canada-U.S. Free Trade Agreement's impact on Northern Ontario and the Mining Sector.
EXHIBIT NO. 1/01/72	RETAIL COUNCIL OF CANADA - Submission on the Canada-U.S. Free Trade Agreement, dated February 1988.
EXHIBIT NO. 1/01/73	MINISTRY OF AGRICULTURE AND FOOD - Submission entitled "Assessment of the Impacts of the Canada-U.S. Free Trade Agreement on the Ontario Agriculture and Food Sector", dated January 1988.
EXHIBIT NO. 1/01/74	THE AUTOMOTIVE PARTS MANUFACTURERS' ASSOCIATION OF CANADA - Submission on the Canada-U.S. Free Trade Agreement.
EXHIBIT NO. 1/01/75	ONTARIO CHAMBER OF COMMERCE - Submission on the Canada-U.S. Free Trade Agreement.
EXHIBIT NO. 1/01/76	THE BOARD OF TRADE OF METROPOLITAN TORONTO - Submission of news release supporting the Free Trade Agreement.

EXHIBIT NO. 1/01/77	LEGISLATIVE RESEARCH SERVICE - Copy of pamphlet entitled "The Canada-U.S. Free Trade Agreement and Canadian Consumers - An Assessment" from the Consumer and Corporate Affairs Canada, submitted by Ray McLellan, Research Officer.
EXHIBIT NO. 1/01/78	THE CANADIAN MANUFACTURERS' ASSOCIATION - Submission on the Canada-U.S. Free Trade Agreement.
EXHIBIT NO. 1/01/79	COUNCIL OF CANADIANS - Submission entitled "Energy Security of Supply - and Market Forces as advocated in the Canada-U.S. Free Trade Agreement."
EXHIBIT NO. 1/01/80	ONTARIO FEDERATION OF LABOUR - Submission opposing the negotiation of a bilateral free trade pact with the U.S.
EXHIBIT NO. 1/01/81	FORD MOTOR COMPANY OF CANADA - News from the World of Ford, remarks by E A Matthews, Jr., Vice- President.
EXHIBIT NO. 1/01/82	LEGISLATIVE RESEARCH SERVICE - Report entitled "Canadian Import Tribunal - Annual Report, 1986" submitted by Ray McLellan, Research Officer.
EXHIBIT NO. 1/01/83	ONTARIO FEDERATION OF AGRICULTURE - Brief on the Canada-U.S. Free Trade Agreement.
EXHIBIT NO. 1/01/84	THE AUTOMOTIVE PARTS MANUFACTURERS' ASSOCIATION OF CANADA - Bulletin 87-41 from Larry Buganto on the Canada- U.S. Bilateral Trade Negotiations, dated 10 August 1987.

EXHIBIT NO. 1/01/85	THE AUTOMOTIVE PARTS MANUFACTURERS' ASSOCIATION OF CANADA - Remarks entitled "Change - Trade and Free Trade" by O Victor Lonmo, President, dated 25 January 1988.
EXHIBIT NO. 1/01/86	L. H. LEGAULT, MINISTER (ECONOMIC), CANADIAN EMBASSY, WASHINGTON, D. C. - Address entitled "Institutions and Dispute Settlement Procedures under the Canada-U.S. Free Trade Agreement", dated 22 January 1988.
EXHIBIT NO. 1/01/87	POLYSAR LIMITED - Submission on the Free Trade Agreement, dated February 1988.
EXHIBIT NO. 1/01/88	JAPAN AUTOMOBILE MANUFACTURERS ASSOCIATION OF CANADA (JAMA-CANADA) - Submission to the Canada-U.S. Free Trade Agreement, dated February 1988 and a summary of the Japanese automobile industry in Canada, dated 1986 Report.
EXHIBIT NO. 1/01/89	GOVERNMENT OF ONTARIO - Report on the Public Hearings held by the Cabinet Sub- Committee on Free Trade, dated 13 October - 23 November 19887.
EXHIBIT NO. 1/01/90	LEGISLATIVE RESEARCH SERVICE - Briefing entitled "Independent Studies : Free Trade Hearings (1988)" prepared by Ray McLellan, Research Officer, dated 10 February 1988.
EXHIBIT NO. 1/01/91	LEGISLATIVE RESEARCH SERVICE - Answer to question raised by Committee of whether the level of imports had also changed, received from Anne Anderson, Research Officer.

EXHIBIT NO. 1/01/92	CONSULATE GENERAL OF THE UNITED STATES OF AMERICA - Letter to David Cooke, M.P.P. relating to presentation of Leo Gerard of the United Steelworkers and Gord Wilson of the Ontario Federation of Labour, dated 9 February 1988.
EXHIBIT NO. 1/01/93	DARE FOODS LTD. - Correspondence to the Minister of Culture and Communications expressing concerns over the negative impact of the proposed Canada-U.S. Trade Agreement on the food industry.
EXHIBIT NO. 1/01/94	TIMOTHY C. HEMMING - Brief on trade between Canada and the United States of America.
EXHIBIT NO. 1/01/95	TILLIE PODOLIAK - Letter dated 15 February 1988 opposing free trade.
EXHIBIT NO. 1/01/96	CANADIAN EXPORTERS' ASSOCIATION - submission concerning the Canada-U.S. Free Trade Agreement.
EXHIBIT NO. 1/01/97	HONORABLE MITCHELL SHARP - Remarks to the Committee on Free Trade.
EXHIBIT NO. 1/01/98	THE WINE COUNCIL OF ONTARIO - Remarks to the Committee on the Economic policy.
EXHIBIT NO. 1/01/99	RICK FERRARO, M.P.P. - Submission of a letter from a constituent, John Tremblay, on the effect free trade will have on the candy business.
EXHIBIT NO. 1/01/100	ONTARIO COALITION FOR BETTER DAY CARE - Submission on child care and free trade, dated 21 February 1988.

EXHIBIT NO. 1/01/101(a)	C. D. HOWE INSTITUTE - Submission by Richard Lipsey accepting "the policy objective of liberalizing Canada's trade - which means increased access for our exporters to foreign markets".
EXHIBIT NO. 1/01/101(b)	C. D. HOWE INSTITUTE - Submission of a paper by Richard Lipsey to the Western Canadian Conference entitled "Our Future with Free Trade".
EXHIBIT NO. 1/01/102	SOCIAL PLANNING COUNCIL OF OSHAWA AND WHITBY - Brief entitled "The Bilateral Managed Trade Deal, Canada- U.S.A., dated 6 November 1987, presented by Don Warne.
EXHIBIT NO. 1/01/103	JAMES C. SIMEON, ASSISTANT PROFESSOR, UNIVERSITY OF WESTERN UNIVERSITY - Written submission on the Free Trade Agreement, dated February 1988.
EXHIBIT NO. 1/01/104	CANADIAN FEDERATION OF SMALL BUSINESS - Submission entitled "The Small business Perspective on the Canada- U.S. Free Trade Agreement", dated 8 March 1988.
EXHIBIT NO. 1/01/105	CANADIAN AUTO WORKERS' ASSOCIATION - Statement before the Committee by Robert White, President.
EXHIBIT NO. 1/01/106	CHRISTIAN FARMERS' FEDERATION OF ONTARIO - Submission on the Canada-U.S. Free Trade Agreement.
EXHIBIT NO. 1/01/107	NATIONAL FARMERS' UNION, REGION 3 - Submission on the Canada-U.S. Free Trade Agreement.

- EXHIBIT NO. 1/01/108(a) GROUP OF FARMERS -
Submissions to the Committee
on the Canada-U.S. Free Trade
Agreement; Ralph Ferguson,
farmer, Lambton County.
- (b) JOSEPH SZENTIMREY, beef,
cattle, Brant County.
- (c) TONY CSINOS, vegetables,
Elgin County.
- (d) DAVID ALDERMAN, wheat,
Lambton County.
- (e) RICK McCRACKEN, poultry,
Middlesex County.
- (f) EARL MUIR, grape and tender
fruit, Niagara Peninsula.
- EXHIBIT NO. 1/01/109 CANADIAN PRINTING INDUSTRIES
ASSOCIATION - Submission to
the Committee on Free Trade.
- EXHIBIT NO. 1/01/110 TORONTO JEWISH CONGRESS -
Brief relating to its views
on the possible implications
of the Free Trade Agreement
upon Canada's social
services, social welfare
system.
- EXHIBIT NO. 1/01/111 TORONTO HOME BUILDER'S
ASSOCIATION AND ONTARIO HOME
BUILDER'S ASSOCIATION -
Submission on Free Trade
between Canada and the United
States, dated October 1986.
- EXHIBIT NO. 1/01/112 ONTARIO GRAPE GROWERS'
MARKETING BOARD - submission
representing 900 grape
growers - family farms 24,000
acres of vineyards, and
16,000 full time and seasonal
jobs.
- EXHIBIT NO. 1/01/113(a) JOHN CRISPO, PROFESSOR,
FACULTY OF MANAGEMENT,
UNIVERSITY OF TORONTO -
Commentary entitled "Free
Trade Distortions and
Misrepresentations", dated
January 1988.

EXHIBIT NO. 1/01/113(b)	JOHN CRISPO, PROFESSOR, FACULTY OF MANAGEMENT, UNIVERSITY OF TORONTO - Submission of paper entitled "Meeting Peterson's Free Trade Conditions".
EXHIBIT NO. 1/01/114	ONTARIO PUBLIC SERVICE EMPLOYEES' UNION - Submission entitled "The Mulroney Government's Trade Deal, Traders or Traitors? - The Impact of the Free Trade Agreement on the Public Sector", dated March 1988.
EXHIBIT NO. 1/01/115	ONTARIO FOREST INDUSTRIES ASSOCIATION - Submission on the Canada-U.S. Trade Agreement.
EXHIBIT NO. 1/01/116	NOBLE VILLENEUVE, M.P.P. - Submission of the Ontario Progressive Conservative Caucus News Release, entitled "OMAF Free Trade Study Flops", dated 4 February 1988.
EXHIBIT NO. 1/01/117	INTERNATIONAL ASSOCIATION OF MACHINISTS AND AEROSPACE WORKERS - Submission on the proposed Canada-U.S. Trade Agreement.
EXHIBIT NO. 1/01/118	CANADIAN ENVIRONMENTAL LAW ASSOCIATION - Brief entitled "Environmental Impacts of the Canada-U.S. Free Trade Agreement".
EXHIBIT NO. 1/01/119	DAVE NEUMANN, M.P.P. - Submission of letter from constituent, Margaret Zahra, stating her concern over the free trade deal.
EXHIBIT NO. 1/01/120	DAVE NEUMAN, M.P.P. - Submission of a letter from constituent, Alex Morris, agreeing with Premier David Peterson's comments about the reopening of the free trade talks, dated 25 February 1988.

EXHIBIT NO. 1/01/121	NATIONAL GOVERNORS' ASSOCIATION - Submission from Deirdre Ellen Curley, Staff Director on the U.S.-Canadian Trade, dated February 1988.
EXHIBIT NO. 1/01/122	LEGISLATIVE RESEARCH SERVICE - Background documents on the Washington Delegation Visit, 1988, entitled Canada-U.S. Free Trade, prepared by Ray McLellan.
EXHIBIT NO. 1/01/123	DAVE NEUMANN, M.P.P. - Letter from the Corporation of the City of Brantford, dated 23 March 1988, enclosing a resolution opposing the Mulroney Trade Agreement.
EXHIBIT NO. 1/01/124	UNITED AUTOMOBILE, AEROSPACE AND AGRICULTURAL IMPLEMENT WORKERS (UAW) - Submission of a summary statement of Steve Beckman, International Economist, International Union on Trade of the Committee on Ways and Means, dated 1 March 1988.
EXHIBIT NO. 1/01/125	NATIONAL ASSOCIATION OF MANUFACTURERS - Testimony on the U.S.-Canadian Free Trade Agreement by Lawrence A. Fox before the Subcommittee on Trade of the Committee on Ways and Means, U. S. , House of Representatives, dated 26 February 1988.
EXHIBIT NO. 1/01/126	TIMOTHY C. HEMMING - Submission entitled "Trade Agreement between the two Countries/Nations of Canada and the United States of America, November 1987".
EXHIBIT NO. 1/01/127	SOCIAL PLANNING COUNCIL OF WINNIPEG - Submission from Ken Murdoch, Executive Director, on Free Trade and the Human Services Sector, dated 8 January 1988.

- EXHIBIT NO. 1/01/128 ECONOMIC COUNCIL OF CANADA -
Statement entitled "Managing
adjustment Policies for
Trade-Sensitive Industries".
- EXHIBIT NO. 1/01/129 CENTRE FOR RESEARCH ON PUBLIC
LAW AND PUBLIC POLICY,
OSGOODE HALL LAW SCHOOL, YORK
UNIVERSITY - Submission
entitled "National Conference
on the Free Trade Agreement",
dated 17-19 March 1988.
- EXHIBIT NO. 1/01/129(a) CENTRE FOR RESEARCH ON PUBLIC
LAW AND PUBLIC POLICY, -
Addendum to Exhibit No.
1/01/129.
- EXHIBIT NO. 1/01/130(a) WILLIAM J. DINAN - Letter
dated 29 March 1988
concerning inaccurate
statements of the federal
government's deficit and the
net public debts.
- (b) WILLIAM J. DINAN - Copy of an
open letter to the Auditor-
General of Canada, dated 28
March 1988, expressing
concern over the peculiar tax
treatment of non-universal
registered retirement
schemes.
- (c) WILLIAM J. DINAN - Submission
entitled "A Note on Public
Debt Mismanagement in Canada
and U.S.A.", dated 20
March 1988.
- EXHIBIT NO. 1/01/131 ECONOMIC COUNCIL OF CANADA -
Statement dated 1988 entitled
"Venturing Forth - An
Assessment of the Canada-U.S.
Trade Agreement".
- EXHIBIT NO. 1/01/132 LEGISLATIVE RESEARCH SERVICE
- Submission of a report from
the Library of Parliament
entitled "The implementation
of the Canada-U.S. Free Trade
Agreement : An Outline of
Federal Legislative Changes"
by Ray McLellan, Research
Officer.

EXHIBIT NO. 1/01/133	DOW CHEMICAL CANADA INC. - Submission regarding the Canada-United States Free Trade Agreement from David MacLachlan, Manager, Government Affairs.
EXHIBIT NO. 1/01/134	THE INSTITUTE OF CHARTERED ACCOUNTANTS OF ONTARIO - Submission entitled "the Canada-U.S. Free Trade Agreement and Public Accountancy : Attractions, Uncertainties, Problems and Challenges", dated April 1988.
EXHIBIT NO. 1/01/134(a)	THE INSTITUTE OF CHARTERED ACCOUNTANTS OF ONTARIO - Copy of a revised page 8 to submission 1/01/134.
EXHIBIT NO. 1/01/135	EXTERNAL AFFAIRS, CANADA - Copy of summary report on the Omnibus Trade Bill.
EXHIBIT NO. 1/01/136	DANIEL DRACHE, PROFESSOR OF POLITICAL SCIENCE, YORK UNIVERSITY - Submission entitled "The Mulroney-Reagan Free Trade Agreement : The Economics of Continental Power".
EXHIBIT NO. 1/01/137	DAVID COOKE, M.P.P. (KITCHENER) - Notes for an address to the National Conference on the Free Trade Agreement, Osgoode Hall Law School, York University, dated 18 March 1988.
EXHIBIT NO. 1/01/138	LEGISLATIVE RESEARCH SERVICE - Copy of Ambassador Gotlieb's letter of 1 March 1988 regarding the U. S. Omnibus Trade Bill.
EXHIBIT NO. 1/01/139	MINISTRY OF THE ENVIRONMENT - Remarks from Gary Posen, Deputy minister, on the environmental implications of the Free Trade Agreement.

EXHIBIT NO. 1/01/140

TIMOTHY C. HEMMING -
Viewpoints to share with the
Committee and copy of letters
to leaders and Mr R. Campeau
regarding the content of the
Canada-U.S. Free Trade
Agreement.

EXHIBIT NO. 1/01/141

FRANK JAMES TESTER, ASSISTANT
PROFESSOR, ENVIRONMENTAL
STUDIES, YORK UNIVERSITY -
Copy of a paper from the
Complete Guide to Free Trade
entitled "Free Trading the
Environment".

EXHIBIT NO. 1/01/142

LEGISLATIVE RESEARCH SERVICE
- Report prepared for Dave
Neumann, M.P.P. entitled
"Past Attempts to Negotiate a
Canada-U.S. Free Trade
Agreement" by Ann Porter,
Research Officer.

EXHIBIT NO. 1/01/143

LEGISLATIVE RESEARCH SERVICE
- Report prepared for Dave
Neumann, M.P.P. entitled "The
Free Trade Agreement:
Implications for Canadian
Sovereignty" by Ann Porter,
Research Officer.

EXHIBIT NO. 1/01/144

ECONOMIC COUNCIL OF CANADA -
Copy of a letter to John
Honderich, Editorial Page
Editor, The Toronto Star,
replying to David Crane's
column of April 20th and to
Mr Honderich's editorial of
April 24th from Judith
Maxwell, Chairman, dated
29 April 1988.

EXHIBIT NO. 1/01/145

ECONOMIC COUNCIL OF CANADA -
Briefing notes on current
activities of the Economic
Council of Canada, dated
April 1988.

EXHIBIT NO. 1/01/145(a)

ECONOMIC COUNCIL OF CANADA -
List of Research Program:
1988-1989; current projects
and proposed projects.

EXHIBIT NO. 1/01/146

BARRY MICHAEL FISHER - Copy of a brief to the American Bar Association, National Institution, U.S. - Canada Free Trade Agreement, Washington, D.C., entitled "Canadian Implementation of the Free Trade Agreement", dated January 28-29, 1988.

EXHIBIT NO. 1/01/147

ONTARIO NATURAL GAS ASSOCIATION - Submission of brief for consideration to the Committee's report deliberating on the Energy Provision of the Canada - U.S. Free Trade Agreement.

EXHIBIT NO. 1/01/148

ONTARIO NATURAL GAS ASSOCIATION - Copy of letter to George van Roggen, Chairman, Standing Senate Committee on Foreign Affairs, to clarify the implication of Article 904(a) of the Canada-U.S. Free Trade Agreement.

EXHIBIT NO. 1/01/149

LEGISLATIVE RESEARCH SERVICE - Copy of report to the Standing Senate Committee on Foreign Affairs entitled "Constitutional Jurisdiction - Pertaining to Certain Aspects of the Free Trade Agreement".

EXHIBIT NO. 1/01/150

LEGISLATIVE RESEARCH SERVICE - Copy of report prepared for David Cooke, M.P.P. (Kitchener) by Jennifer Wilson, Research Officer, entitled "Omnibus Trade and Competitiveness Legislation".

EXHIBIT NO. 1/01/151

C. D. HOWE INSTITUTE - Communiqué for release entitled "Exodus of U. S. Firms Unlikely under Free Trade", dated Thursday, 12 May 1988.

EXHIBIT NO. 1/01/152

C. D. HOWE INSTITUTE - Issue of "Trade Monitor", No. 3, May 1988, entitled "The Canada-U.S. Free Trade Agreement and Foreign Direct Investment" by A. E. Safarian.

EXHIBIT NO. 1/01/153

ONTARIO NATURAL GAS ASSOCIATION - Brief outlining three specific areas, National Energy Board, Requirement for Proportional Reduction of Energy Supplies and Inconsistencies in Federal-Provincial Policies, of concern to Canadian consumers.

EXHIBIT NO. 1/01/154

WILLIAM C. GRAHAM, Professor, Faculty of Law, University of Toronto - Submission entitled "The Role of the Commission in the Canada-U.S. Free Trade Agreement: A Canadian Perspective".

EXHIBIT NO. 1/01/155

WILLIAM C. GRAHAM, Professor, Faculty of Law, University of Toronto - Charts on the dispute settlement - mechanism final AD/CVD orders and changes to AD or CVD laws.

EXHIBIT NO. 1/01/156

THE ONTARIO COALITION OF SENIOR CITIZENS' ORGANIZATIONS - Brief on the Free Trade deal.

EXHIBIT NO. 1/01/157

MINISTRY OF INDUSTRY, TRADE AND TECHNOLOGY - Background Paper, 1988, Entitled "The Question of Secure U.S. Market Access in the Canada-U.S. Free Trade Agreement.

EXHIBIT NO. 1/01/158

THE PEACE AND DISARMAMENT COMMITTEE - Report to the Labour Council of Metro Toronto entitled "Free Trade and Canada's Military Build-Up", dated April 7, 1988.

- EXHIBIT NO. 1/01/159 THE PLOUGHSHARES - Journal entitled "Monitor", Vol.1X, No. 1, dated March 1988, subtitle "Peacebuilding".
- EXHIBIT NO. 1/01/160 ALAN M. RUGMAN AND ANDREW ANDERSON - Paper entitled "Business and Trade Policy: The Structure of Canada's New Private Sector Advisory System" reprinted from the Canadian Journal of Administrative Sciences, Vol. 4, No. 4, pp. 367-380, December 1987.
- EXHIBIT NO. 1/01/161 ALAN M. RUGMAN AND ANDREW ANDERSON - Paper entitled "A Fishy Business: The Abuse of American Trade Law in the Atlantic Groundfish Case of 1985-1986", reprinted from the Canadian Public Policy, Vol. XlII, No. 2, pp. 152-164, June 1987.
- EXHIBIT NO. 1/01/162 BUSINESS QUARTERLY, CANADA'S MANAGEMENT JOURNAL - Paper by Alan M. Rugman entitled "Living with Free Trade: How Multinationals will adjust to Trade Liberalization", dated Fall, 1987.
- EXHIBIT NO. 1/01/163 ALAN M. RUGMAN - Summary of a larger study prepared for the Economic Council of Canada entitled "Trade Liberalization and International Investment", dated May 1987.
- EXHIBIT NO. 1/01/164 ALAN M. RUGMAN - Paper entitled "Corporate Adjustment", dated 19 February 1988.
- EXHIBIT NO. 1/01/165 ALAN M. RUGMAN AND ALAIN VERBEKE - Paper entitled "Strategic Responses to Free Trade".
- EXHIBIT NO. 1/01/166 ONTARIO MINING ASSOCIATION - Submission to the Canada-U.S. Free Trade Agreement.

EXHIBIT NO. 1/01/167	TIMOTHY C. S. HEMMING - Submission to the Canada-U.S. Free Trade Agreement.
EXHIBIT NO. 1/01/168	THE MINISTRY OF THE ATTORNEY GENERAL - Remarks by the Honourable Ian Scott, Minister, on the tabling of The Legal Analysis of the Canada-U.S. Trade Agreement.
EXHIBIT NO. 1/01/169	THE MINISTRY OF THE ATTORNEY GENERAL - Report from the Attorney General of Ontario entitled "The Impact of the Canada - U.S. Trade Agreement: A Legal Analysis", dated May 1988.
EXHIBIT NO. 1/01/170	NICHOLAS BIRCH - Brief entitled "The Canada-U.S. Trade Review: A Concerned Citizen's View".
EXHIBIT NO. 1/01/171	ALAN M. RUGMAN - Opening remarks on Trade with the U.S.
EXHIBIT NO. 1/01/172	THE MINISTER FOR INTERNATIONAL TRADE, THE HOUSE OF COMMONS - Bill C-130, An Act to implement the Free Trade Agreement between Canada and the United States of America, First reading, May 24, 1988.
EXHIBIT NO. 1/01/173	POLYSAR LIMITED - Addendum to Exhibit 1/01/87, presented by overhead projection.
EXHIBIT NO. 1/01/174	MOTOR VEHICLE MANUFACTURERS' ASSOCIATION - Paper entitled "Effects on the Auto Pact", Canada-U.S. Free Trade Agreement dated 3 February 1988.
EXHIBIT NO. 1/01/175	JOINT COMMITTEE ON FINANCE - U.S. SENATE AND COMMITTEE ON WAYS AND MEANS; U.S. HOUSE OF REPRESENTATIVES - Submission of the committees with recommendations on the U. S. Free Trade Agreement Implementation Bill.

- EXHIBIT NO. 1/01/176 THE ALLIANCE FOR THE FUTURE
OF YOUNG CANADIANS -
Presentation by Lars Hansen.
- EXHIBIT NO. 1/01/177 THE ALLIANCE FOR THE FUTURE
OF YOUNG CANADIANS -
Synopsis.
- EXHIBIT NO. 1/01/178 TIMOTHY C. S. HEMMING - Copy
of letter to United Kingdom
leaders and the Crown dated
11 June 1988.
- EXHIBIT NO. 1/01/179 RAWSON ACADEMY OF AQUATIC
SCIENCE - Submission by Mel
G. Clark and Donald J. Gamble
entitled "Water and the
Canada-U.S. Free Trade
Agreement".
- (a) ENVIRONMENT CANADA - Report
entitled "Federal Water
Policy".
- (b) ENVIRONMENT CANADA - News
release announcing Federal
Water Policy, dated 5
November 1987.
- (c) ENVIRONMENT CANADA - Media
backgrounder entitled "Water
Facts".
- (d) CANADIAN WATER WATCH - A
national news bulletin on
aquatic ecosystems, Volume 1,
Number 1, May 1988.
- (e) RAWSON ACADEMY OF AQUATIC
SCIENCE - Paper by Donald J.
Gamble, entitled "Water
Export and Free Trade: The
Fate of Canada's Aquatic
Resources?", dated 4 May
1988.
- (f) THE CANADIAN BUSINESS REVIEW
- Article by Simon Reisman
entitled "Canada-United
States Trade at the
Crossroads: Options for
Growth", dated Autumn 1985.

- (g) NORTHERN PERSPECTIVES -
Article entitled "Of
Gigawatts and Grand Designs"
published by the Canadian
Arctic Resources Committee.
- EXHIBIT NO. 1/01/180 SCIENCE COUNCIL OF CANADA -
Pamphlet entitled "Water 2020
- Sustainable Use for Water
in the 21st Century".
- EXHIBIT NO. 1/01/181 CANADA'S RESOURCE INDUSTRIES
AND WATER EXPORT POLICY, J.
Whalley, Research
Coordinator.
- EXHIBIT NO. 1/01/182 ENVIRONMENT CANADA -
Proceedings of the Symposium
on Interbasin Transfer of
Water: Impacts and Research
needs for Canada, dated 9 and
10 November 1987.
- EXHIBIT NO. 1/01/183 CANADIAN AQUATIC RESOURCES -
Edited by M. C. Healey and R.
R. Wallace, dated Ottawa
1987.
- EXHIBIT NO. 1/01/184 INQUIRY ON FEDERAL WATER
POLICY - Final report
entitled "Currents of Change"
by P. H. Pearse, F. Bertrand,
J. W. MacLaren, dated
September 1985.
- EXHIBIT NO. 1/01/185 TIMOTHY C. HEMMING -
Contribution to the Free
Trade Agreement hearings.
- EXHIBIT NO. 1/01/186 NEW DEMOCRATIC PARTY OF
ONTARIO - Suggested wording
for a Section to be included
in the Committee's Report on
the impact of the Free Trade
Agreement on Labour.
- EXHIBIT NO. 1/01/187 UNITED STATES INFORMATION
SERVICE - Summary of U.S.
Omnibus Trade Bill.

EXHIBIT NO. 1/01/188

RAY HAGGERTY, M.P.P. - Copy
of speech of Brian Nash,
Chairman, Ontario Grape
Growers' Marketing Board,
July 26, 1988.

EXHIBIT NO. 1/01/189

AMBASSADOR ALLAN GOTLIEB -
Letter to Members of Congress
re U.S. Omnibus Trade Bill.

APPENDIX F

Supplementary Report

CANADA – U.S. FREE TRADE HEARINGS (DECEMBER 1987 – JUNE 1988)
SUMMARY OF BRIEFS AND PRESENTATIONS

PREAMBLE

This document has been prepared for background purposes to assist members of the Standing Committee on Finance and Economic Affairs in their deliberations on the Canada – U.S. Free Trade Agreement. It includes abbreviated statements and conclusions reached in the submissions from delegations. In some instances, the delegations did not have written briefs and therefore the summaries were based on Hansard. Members wishing to review the rationale for any of these statements are referred to the full text of the submission in conjunction with Hansard.

The list following the Table of Contents, entitled "Cross Reference of Briefs and Presentations by Subject Heading", has been included to indicate the subjects addressed by the various parties. This list is generally representative of the views expressed and is not exhaustive.

Lists of submissions by individuals and supplementary background documents received during the hearings are attached.

TABLE OF CONTENTS

<u>Delegation</u>	<u>Exhibit No.</u>	<u>Page No.</u>
Alliance for the Future of Young Canadians	1/01/176	1
Association of Canadian Distillers	1/01/21	2
Association of Canadian Publishers	1/01/60	3
Automotive Parts Manufacturers' Association of Canada	1/01/74	4
"	1/01/84*	
"	1/01/85*	
Birch, Nicholas	1/01/170	5
Board of Trade of Metropolitan Toronto	1/01/33	6
"	1/01/76*	
Brantford, The Corporation of the City	1/01/123	7
Business Council for Fair Trade	1/01/20	8
"	1/01/46*	
"	1/01/47*	
Business Council on National Issues	1/01/57	9
Canadian Alliance for Trade and Job Opportunities	1/01/43	10
Canadian Auto Workers' Association	1/01/105	11
Canadian Bankers' Association	(Hansard)	12
"	1/01/58*	
Canadian Environmental Law Association	1/01/118	13
Canadian Exporters' Association	1/01/96	16
Canadian Federation of Independent Business	1/01/104	17
Canadian Foundry Association	1/01/37	18
Canadian Independent Computer Services Association	1/01/03	19
Canadian Manufacturers' Association	1/01/78	20
Canadian Printing Industries Association	1/01/109	21
C.D. Howe Institute	1/01/101	22
Christian Farmers Federation of Ontario	1/01/106	23
Clark, Mr. Mel, and Mr. Don Gamble	(Hansard)	24
"	1/01/179*	
"	1/01/180*	

* Supplementary document

<u>Delegation</u>	<u>Exhibit No.</u>	<u>Page No.</u>
Coalition Against Free Trade	1/01/67	25
Consulate General of the United States of America	1/01/92	26
Consulting Engineers of Ontario	1/01/51	27
Council of Canadians	1/01/79	28
Crispo, Professor John	1/01/113a, b	29
Dare Foods Limited	1/01/19	30
"	1/01/93*	
Dow Chemical Canada Inc.	1/01/133	31
Drache, Professor Daniel	1/01/136	32
Economic Council of Canada	1/01/50*	34
"	1/01/128	
"	1/01/144*	
"	1/01/145*	
Fairley, Dr. Scott	(Hansard)	35
"	1/01/12	
Fisher, Barry Michael	1/01/146	36
Graham, W.C., Q.C.	1/01/154	37
"	1/01/155*	
Group of Farmers from Watford, Ontario	1/01/108a	38
Institute for Research on Public Policy	(Hansard)	39
Institute of Chartered Accountants of Ontario	1/01/134	40
International Association of Machinists and Aerospace Workers	1/01/117	41
Japan Automobile Manufacturers' Association of Canada (JAMA)	1/01/88	43
Lazar, Professor Fred	1/01/55	44
Ministry of Agriculture and Food	1/01/73	45
Ministry of the Attorney General	1/01/10	47
Ministry of Consumer and Commercial Relations	1/01/68	49
Ministry of Culture and Communications	(Hansard)	51
Ministry of Energy	1/01/28	52
"	1/01/65*	

<u>Delegation</u>	<u>Exhibit No.</u>	<u>Page No.</u>
Ministry of the Environment	1/01/139	54
Ministry of Financial Institutions	(Hansard)	55
Ministry of Industry, Trade and Technology	1/01/18	56
Ministry of Labour	1/01/29	57
Ministry of Natural Resources	1/01/24	58
Ministry of Northern Development and Mines	1/01/71	60
Ministry of Skills Development	1/01/26*	61
"	1/01/27*	
Ministry of Treasury and Economics	(Hansard)	63
Motor Vehicle Manufacturers' Association (represented by Ford Motor Company of Canada Ltd.)	1/01/81	64
"	1/01/174	
National Action Committee on the Status of Women	(Hansard)	65
National Farmers' Union	1/01/107	67
Ontario Chamber of Commerce	1/01/75	68
Ontario Coalition for Better Daycare	1/01/100	69
Ontario Coalition of Senior Citizens' Organizations	1/01/156	70
Ontario English Catholic Teachers' Association	1/01/48	71
Ontario Federation of Agriculture	1/01/83	72
Ontario Federation of Labour	1/01/80	74
Ontario Forest Industries Association	1/01/115	76
Ontario Grape Growers' Marketing Board	1/01/112	77
Ontario Lumber Manufacturers' Association	1/01/44	78
Ontario Natural Gas Association	1/01/147	79
"	1/01/148*	
Ontario Public Service Employees' Union	1/01/114	81
Ontario Trucking Association	1/01/32	83
"	1/01/62*	
Polysar Limited	1/01/87	84

<u>Delegation</u>	<u>Exhibit No.</u>	<u>Page No.</u>
Retail Council of Canada	1/01/72	85
Rugman, Professor Alan	1/01/171	87
Russell, Professor Peter	(Hansard)	88
Safarian, Professor A. Edward	1/01/53*	89
"	1/01/59	
Saywell, Dr. John T.	(Hansard)	90
Sharp, The Honourable Mitchell	1/01/97	91
Simeon, Professor James C.	1/01/103	93
Social Planning Council of Oshawa-Whitby	1/01/102	94
Social Planning Council of Winnipeg	1/01/127	95
Tester, Professor Frank James	1/01/141	95
Toronto Home Builders' Association and the Ontario Home Builders' Assn.	1/01/111	96
Toronto Jewish Congress	1/01/110	97
Trust Companies Association of Canada	1/01/42	98
United Food and Commercial Workers International Union (UFCW)	1/01/49	99
United Steelworkers of America (District 6)	1/01/70	101
Wine Council of Ontario	1/01/98	102
Wonnacott, Professor Ronald	1/01/45	103

ATTACHMENT 1: List of Individuals' Submissions

ATTACHMENT 2: List of Miscellaneous Background Documents

CROSS REFERENCE OF BRIEFS AND PRESENTATIONS BY SUBJECT HEADING

Canadian Identity

Alliance for the Future of Young Canadians
 Association of Canadian Publishers
 Mr. Mel Clark and Mr. Don Gamble
 Board of Trade of Metropolitan Toronto
 Brantford, Corporation of the City

Canadian Auto Workers' Association
 Canadian Environmental Law Association
 C.D. Howe Institute
 Coalition Against Free Trade
 Council of Canadians

Professor John Crispo
 Professor Daniel Drache
 Group of Farmers from Watford
 International Association of Machinists and Aerospace Workers
 Professor Fred Lazar

Ministry of Culture and Communications
 Ministry of Energy
 Ministry of Environment
 Ministry of Natural Resources
 National Action Committee on the Status of Women

Ontario Coalition for Better Daycare
 Ontario Coalition of Senior Citizens' Organizations
 Ontario English Catholic Teachers' Association
 Ontario Federation of Agriculture
 Ontario Federation of Labour

Ontario Public Service Employees' Union
 Retail Council of Canada
 Professor Alan Rugman
 Professor Edward Safarian
 Hon. Mitchell Sharp

Professor James Simeon
 Social Planning Council of Oshawa-Whitby
 Social Planning Council of Winnipeg
 United Food and Commercial Workers' International Union
 United Steelworkers of America (District 6)
 Professor Ronald Wonnacott

Political Sovereignty and Constitutional Issues

Mr. Mel Clark and Mr. Don Gamble
 Canadian Environmental Law Association
 Canadian Independent Computer Services Association
 Canadian Printing Industries Association
 Coalition Against Free Trade

Professor Daniel Drache
 Dr. Scott Fairley
 Mr. Barry Fisher
 Ministry of the Attorney General
 Ministry of Consumer and Commercial Relations

Ministry of Energy
 Ministry of Financial Institutions
 Ministry of Industry, Trade and Technology
 Ministry of Natural Resources
 Ministry of Northern Development and Mines

Ontario Coalition of Senior Citizens' Organizations
 Ontario Federation of Labour
 Ontario Natural Gas Association
 Ontario Public Service Employees' Union
 Professor Peter Russell

Dr. John Saywell
 Social Planning Council of Oshawa-Whitby
 Toronto Jewish Congress
 United Food and Commercial Workers' International Union
 United Steelworkers of American (District 6)

Trade Liberalization and International Relations

Mr. Mel Clark and Mr. Don Gamble
 Association of Canadian Distillers
 Automotive Parts Manufacturers' Association of Canada
 Business Council for Fair Trade
 Business Council on National Issues

Canadian Manufacturers' Association
 C.D. Howe Institute
 Consulting Engineers of Ontario
 Professor John Crispo
 Professor Daniel Drache

Institute for Research on Public Policy
 Japan Automobile Manufacturers' Association of Canada
 Professor Fred Lazar
 Ontario Chamber of Commerce
 Retail Council of Canada

Hon. Mitchell Sharp
 Professor James Simeon
 Social Planning Council of Oshawa-Whitby
 Toronto Home Builders' Association and
 Ontario Home Builders' Association

Business-Government Relations

Alliance for the Future of Young Canadians
 Board of Trade of Metropolitan Toronto
 Business Council on National Issues
 Canadian Alliance for Trade and Job Opportunities
 Canadian Auto Workers' Association

Canadian Foundry Association
 Canadian Manufacturers' Association
 Canadian Printing Industries Association
 Dare Foods Ltd.
 Dow Chemical Canada Inc.
 Economic Council of Canada

Ministry of Industry, Trade and Technology
 Ministry of Treasury and Economics
 National Action Committee on the Status of Women
 Ontario Chamber of Commerce
 Polysar Limited

Retail Council of Canada
 Professor Alan Rugman
 Professor Edward Safarian
 Toronto Home Builders' Association and
 Ontario Home Builders' Association
 Trust Companies Association of Canada Inc.
 Professor Ronald Wonnacott

Socio-Economic Factors

Business Council on National Issues
 Canadian Alliance for Trade and Job Opportunities
 Economic Council of Canada
 International Association of Machinists and Aerospace Workers
 Ministry of Agriculture

Ministry of Industry, Trade and Technology
 Ministry of Labour
 Ministry of Skills Development
 National Action Committee on the Status of Women
 Ontario Chamber of Commerce

Ontario English Catholic Teachers' Association
 Ontario Public Service Employees' Union
 Professor Alan Rugman
 Social Planning Council of Oshawa-Whitby
 Toronto Home Builders' Association and
 Ontario Home Builders' Association
 Professor Ronald Wonnacott

Agriculture

Board of Trade of Metropolitan Toronto
 Brantford, Corporation of the City
 Business Council on National Issues
 Canadian Environmental Law Association
 Canadian Exporters' Association

Christian Farmers Federation of Ontario
 Coalition Against Free Trade
 Dare Foods Ltd.
 Group of Farms from Watford
 Ministry of Agriculture and Food

National Farmers' Union
 Ontario Federation of Agriculture
 Ontario Grape Growers' Marketing Board
 Ontario Public Service Employees' Union
 United Food and Commercial Workers International Union
 United Steelworkers of America (District 6)

Wine and Distilled Spirits

Association of Canadian Distillers
 Dr. Scott Fairley
 Ministry of Consumer and Commercial Relations
 Ontario Grape Growers' Marketing Board
 United Food and Commercial Workers' International Union
 Wine Council of Ontario

Energy and Resources

Board of Trade of Metropolitan Toronto
 Brantford, Corporation of the City
 Canadian Alliance for Trade and Job Opportunities
 Canadian Environmental Law Association
 Christian Farmers Federation of Ontario

Council of Canadians
 Professor John Crispo
 Professor Daniel Drache
 Economic Council of Canada
 Group of Farmers from Watford

Institute for Research on Public Policy
 International Association of Machinists and Aerospace Workers
 Professor Fred Lazar
 Ministry of Energy
 Ontario Federation of Labour

Ontario Natural Gas Association
 Polysar
 United Steelworkers of America (District 6)

Trade in Automotive Goods

Automotive Parts Manufacturers' Association of Canada
 Board of Trade of Metropolitan Toronto
 Brantford, Corporation of the City
 Business Council on National Issues
 Canadian Alliance for Trade and Job Opportunities

Canadian Auto Workers' Association
 International Association of Machinists and Aerospace Workers
 Japan Automobile Manufacturers' Association of Canada
 Ministry of Industry, Trade and Technology
 Motor Vehicle Manufacturers Association (rep. by Ford)

Ontario Public Service Employees' Union
 United Steelworkers of America (District 6)
 Professor Ronald Wonnacott

Government Procurement

Business Council on National Issues
 Canadian Alliance for Trade and Job Opportunities
 Canadian Manufacturers' Association

Services

Business Council on National Issues
 Canadian Bankers Association
 Canadian Independent Computer Services Association
 Coalition Against Free Trade
 Consulting Engineers of Ontario

Economic Council of Canada
 Institute for Research on Public Policy
 Institute of Chartered Accountants of Ontario
 Ministry of Consumer and Commercial Relations
 Ministry of Financial Institutions

Ministry of Industry, Trade and Technology
 National Action Committee on the Status of Women
 Ontario Coalition for Better Daycare
 Ontario Coalition of Senior Citizens Organizations

Ontario Public Service Employees' Union
 Social Planning Council of Oshawa-Whitby
 Social Planning Council of Winnipeg
 Trust Companies Association of Canada Inc.

Investment

Association of Canadian Publishers
 Board of Trade of Metropolitan Toronto
 Brantford, Corporation of the City
 Business Council on National Issues
 Canadian Alliance for Trade and Job Opportunities

Consulting Engineers of Ontario
 Professor Daniel Drache
 Economic Council of Canada
 Institute for Research on Public Policy
 International Association of Machinists and Aerospace Workers

Professor Fred Lazar
 Ministry of Culture and Communications
 Ministry of Financial Institutions
 Ontario Public Service Employees' Union

Polysar
 Professor Ed Safarian
 United Steelworkers of America (District 6)

Financial Services

Board of Trade of Metropolitan Toronto
 Business Council on National Issues
 Canadian Bankers' Association
 Ministry of Financial Institutions
 Trust Companies Association of Canada Inc.

Institutional Provisions and Binational Dispute Settlement

Board of Trade of Metropolitan Toronto
 Business Council on National Issues
 Canadian Alliance for Trade and Job Opportunities
 Canadian Environmental Law Association
 Canadian Manufacturers Association

C.D. Howe Institute
 Christian Farmers Federation of Ontario
 Professor John Crispo
 Economic Council of Canada
 Mr. W.C. Graham

Institute for Research on Public Policy
 Professor Fred Lazar
 Ministry of Natural Resources
 Ministry of Northern Development and Mines
 National Action Committee on the Status of Women

Ontario Chamber of Commerce
 Ontario Coalition of Senior Citizens Organizations
 Ontario Federation of Labour
 Ontario Forest Industries Association
 Ontario Lumber Manufacturers' Association

Ontario Public Service Employees' Union
 Professor Alan Rugman
 Social Planning Council of Oshawa-Whitby
 United Food and Commercial Workers International Union
 United Steelworkers of America (District 6)
 Professor Ronald Wonnacott

ALLIANCE FOR THE FUTURE OF YOUNG CANADIANS
Exhibit No. 1/01/176

- The Alliance for the Future of Young Canadians (AFYC) is a non-partisan organization that receives no direction or funding from any political party.
- Young people are frequently "last hired and first fired." They therefore place particular importance on initiatives of job creation and economic growth. AFYC believes the FTA is a strategic and important tool for creating this growth and job creation.
- Enhanced competition experienced under the FTA will improve not only the quality of jobs for young people but also long-term employment stability through the realization of more secure access to world class markets.
- The FTA will benefit the Canadian consumer through a growth in real income and a corresponding growth in disposable income.
- The FTA will operate evenly in each and every province and will mean balanced growth throughout Canada.
- Canada's sovereignty is enhanced in this agreement because through the binational disputes panel Canada will have a real and important voice in decisions affecting its future as a trading nation.
- The FTA is a vote of confidence not only in Canada but in the young Canadians who will lead Canada into the next century, because the Agreement believes in the ability to compete and succeed.

ASSOCIATION OF CANADIAN DISTILLERS
Exhibit No. 1/01/21

Main Issues

- The FTA will benefit whiskey producers by removing slight disadvantages vis-a-vis U.S. production and tariffs on Scotch whiskey.
- With the removal of a U.S. tariff on Canadian rum, Canada will be able to compete with Puerto Rico, U.S. Virgin Islands and the Caribbean countries for the U.S. market.
- A major concern is the potential for dumping low cost vodkas and gins into Canada, because of the large scale of corn processing in the U.S., which produces grain alcohol as a byproduct.
- Removal of mark-up differentials should be achieved through reducing import rates rather than raising domestic mark-up rates, in order to prevent loss of domestic volume.
- The blending change will mean some bottling of Bourbon in Canada, and this could have a minor, positive effect on jobs.
- The outcome of the decision by the GATT concerning provincial practices on alcoholic beverages, many of which are also involved in the FTA, may result in Canada having to comply on a global rather than bilateral basis.

Conclusion

- For the Canadian distilling industry, the FTA is on the positive side of neutral. It is also important as a precursor for relaxing trade barriers and trade distorting measures around the world.

THE ASSOCIATION OF CANADIAN PUBLISHERS
Exhibit No. 1/01/60

Main Issues

- There is uncertainty with the interpretation of Article 2005, the "Notwithstanding" clause, especially its application to Canadian government initiatives to strengthen the Canadian publishing industry, and the potential U.S. reprisals.
- There needs to be clarification of the process of indirect acquisition of a business in a cultural industry (Article 1607), including the role of the federal government, the assessment of "fair open market value," and the long-term implications.

Conclusion

- The ACP is pleased that culture, including book publishing, has been exempted from the FTA but seeks assurances that the Agreement will not obstruct existing or future government policies aimed at strengthening Canadian cultural industries.

AUTOMOTIVE PARTS MANUFACTURERS' ASSOCIATION OF CANADA
Exhibit Nos. 1/01/74, 1/01/84, 1/01/85

Main Issues

- The APMA has four broad issues of concern which highlight the need for an automotive strategy: overcapacity, trade policy, taxation and social policy. The need for such a strategy is more compelling once the FTA is implemented.
- As a result of the FTA, the Auto Pact safeguards are of little consequence.
- The Auto Pact, or similar accord, should be part of the Free Trade Agreement.
- The level of 50% North American content called for in the FTA is too low. If it was increased to 60%, a producer would not only be required to assemble the vehicle but would have to produce some of the engine, trans-axle, transmission and/or electronics of the vehicle in North America.
- The FTA will require Ontario industries to compete with those in the midwest and southern United States. Direct and indirect taxes and other government business costs, therefore, should not exceed those in competitive jurisdictions.
- The APMA supports any initiatives by the Ontario government to obtain reciprocal access with non-U.S. trading partners. For example, the EEC has an exemption from the GATT allowing it to discriminate between EC members and other GATT signatories.

Conclusion

- The APMA supports the FTA if it specifies a 60% level of North American content, but not at a 50% level.

BIRCH, NICHOLAS
Exhibit No. 1/01/170

Main Issues

- The FTA will cause damage in four key sectors:
 - financing;
 - natural resources;
 - industry; and
 - social programs.
- While Americans will have assured access to Canadian financial institutions (through direct investment and a larger role for foreign investment and a larger role for foreign subsidiaries in Canada), Canada will not have reciprocal privileges in the U.S. because of the Glass-Steagall Act.
- In natural resources, Canada will no longer be able to subsidize resource industries; Americans have guaranteed access to Canadian energy in times of shortage; and Canada has given most of its water.
- Without tariffs, there will be no incentive for American firms to produce goods in this country; inefficient branch plants will close; research and development for the surviving branch plants will be done in the U.S., thus preventing the development of technical expertise in Canada.
- Canada's social programs will be jeopardized by American demands for national treatment.

BOARD OF TRADE OF METROPOLITAN TORONTO
Exhibit Nos. 1/01/33, 1/01/76

Main Issues

- The FTA will diminish political flexibility, but such tradeoffs would be required in any bilateral or multilateral trade agreement.
- The FTA will not affect Canadian cultural or social programs.
- The proposed dispute settlement mechanism will be more effective when new rules governing antidumping and countervail actions are developed.
- The FTA will impact negatively on fruit and vegetable growers, dairy, poultry and egg farmers.
- Mineral and forest products industries stand to gain from the FTA.
- Freer trade in energy will contribute to a reduction in regional disparities.
- Foreign and domestic auto assemblers will be encouraged to purchase more North American automotive parts; in view of overcapacity, the terms of the FTA that discourage new auto assembly plants is not detrimental to Canada.
- The Board is strongly supportive of the new rules regarding temporary entry of business persons.
- Owing to substantial differences in regulation of financial institutions between Canada and the U.S., American financial firms gained more than Canadian firms.
- There will not be a massive influx of U.S. investment in Canada.
- If Ontario rejects the FTA, it should identify and promote alternatives.

Conclusion

- The Board of Trade supports the FTA, principally because it provides enhanced access, even though it may not provide complete security of access until new rules to define the scope of fair trading practices are developed.

BRANTFORD, THE CORPORATION OF THE CITY
Exhibit No. 1/01/123

Main Issues

- The Council for The Corporation of the City of Brantford adopted a resolution on March 21, 1988 with the following points:
 - The FTA fails to address Canada's needs and goals, while making significant concessions which could prove costly to Canadians.
 - The FTA fails to secure access to the U.S. market for Canadian goods and services.
 - Canadian exporters may still be penalized as a result of Canadian policies to promote industrial development, reduce regional disparities and manage natural resources.
 - The FTA relinquishes the ability to pursue an independent energy policy.
 - The FTA reduces the ability to ensure that Canadians benefit from U.S. investment and proposed takeovers of Canadian firms.
 - The FTA undercuts safeguards which have ensured the existence of a dynamic auto industry, and reduces Canada's ability to attract offshore auto industry investment.
 - Tariff elimination occurs simultaneously despite the fact that Canadian tariffs start at a higher level.
 - The FTA threatens the existence of significant sectors of the agriculture and food processing industries.
 - The FTA requires the federal government to take all necessary measures to implement its provisions, including infringement on the provincial capacity to respond to the needs of Ontario citizens.

Conclusion

- The Council of The Corporation of the City of Brantford opposes the FTA as detrimental to Canada's sovereignty and Brantford's economic interests.

BUSINESS COUNCIL FOR FAIR TRADE
Exhibit Nos. 1/01/20, 1/01/46, 1/01/47

Main Issues

- The FTA closes the door on trade with Europe and the rest of the world; it will harm GATT in a world trade context.
- Interest rate differential, with lower rates in the U.S., means investment will be located in the U.S.
- The change of trade flows from east-west to north-south will be divisive nationally, with major links with the U.S. rather than with other parts of Canada.
- Some members providing engineering services believe that their customers may move to the U.S., with subsequent loss of market for their services.
- Despite a trade surplus in 1981, there remains a deficit in jobs.
- Believe many businesses oppose the FTA, but to date their opinions have been fragmented.
- Industry associations, such as the engineering association, which support the FTA have not polled their membership and therefore do not necessarily represent their views.

Conclusion

- The Business Council for Fair Trade opposes the FTA, and believes that they represent a large, but fragmented, number of businesses.

BUSINESS COUNCIL ON NATIONAL ISSUES
Exhibit No. 1/01/57

Main Issues

- The FTA is in Canada's interest. It is consistent with Canada's trade goals, it will boost economic growth (thus helping government raise revenues for increasing social expenditures), benefit consumers and not compromise Canadian sovereignty.
- The FTA will help secure access to the U.S. market; the BCNI endorses the provisions of the Agreement which will subject Canadian and U.S. trade laws to new disciplines — disciplines that will provide order and greater certainty in the bilateral flow of commerce.
- The FTA will not compromise, and is complimentary to, the GATT system.
- The FTA will help improve access to U.S. markets by dismantling tariff barriers and liberalizing investment.
- The FTA will create new trade opportunities:
 - Changes in the area of automotive trade will have positive consequences for employment and production in Canada.
 - The energy provisions should contribute to higher levels of investment in the development of Canadian energy resources.
 - The prohibition of export restrictions on agricultural products such as beef is expected to increase exports.
 - Market access to the U.S. has been protected for Canadian service firms.
 - The FTA provides opportunities for expanded trade on the part of financial institutions.
- The adjustment requirements will be moderate, given that tariff rates are already low and most Canadian businesses are competitive with U.S. ones. The amount of adjustment required will be small relative to the amount which normally occurs every year in the labour market.

Conclusion

- The BCNI is supportive of the FTA.

CANADIAN ALLIANCE FOR TRADE AND JOB OPPORTUNITIES

Exhibit No. 1/01/43

Main Issues

- Ontario stands to gain most from the FTA because of its strategic location. The Ontario economy has been lopsided because of the auto industry; the FTA is an opportunity to re-balance the economy and to develop a broader, more versatile industrial base.
- If there is a shortcoming, it is in the failure of the federal government to specify adjustment programs to help workers move to other areas of activity.
- The Ontario government paper on the dispute settlement mechanism is based on a fundamental misunderstanding of how international law works. There is no provision in international law to compel either party to comply with a bilateral agreement, as there is in domestic law.
- A second misunderstanding has arisen about the term 'binding.' Binding means that a decision is definitive in defining the rights of the parties involved in a dispute, and that the parties are obliged to accept the decision as defining the rights between them. Binding is often used, however, to mean 'enforceable,' which, as already shown, is not relevant to international law.
- The FTA is not a free trade agreement, but an agreement setting up a free trade area under the terms of the GATT. It provides more than is available through GATT.
- The criteria for judging the FTA should be whether it provides conditions better than exist now – the Alliance believes that it does.
- The energy provisions are good for Canada because Canada has had substantial surpluses in all energy products and it is in the interests of all provinces that this trade not be restricted in the future. Canada will not get into the U.S. market unless it is known to be a reliable supplier in good times and bad.
- Adjustment programs or assistance to people have not been subject to attack, provided they were not focused on particular regions or industries.
- Specific undertakings in the FTA relating to government procurement, investment, the movement of business personnel, and services will broaden opportunities for Canadian firms and Canadian workers.
- The FTA has enshrined the original terms of the Auto Pact that call for Canadian safeguards. Without this inclusion, it is likely that the Americans would have abrogated the Auto Pact and substituted an agreement more favourable to the U.S.

Conclusion

- The Alliance supports the FTA. It believes the Agreement will help to create a climate conducive to investment and job creation in Canada.

CANADIAN AUTO WORKERS' ASSOCIATION
Exhibit No. 1/01/105

Main Issues

- Access to the U.S. market has not changed.
- Misleading comments by the federal government include:
 - that there was no link between American pharmaceutical companies and the FTA;
 - that culture was not on the table, yet the Americans have the right to retaliate if Canadian cultural policies affect their commercial interests;
 - that social programs would be secure, despite pressure for companies to reduce costs to be competitive;
 - that regional programs and subsidies would remain secure; however, without an explicit statement of autonomy in these areas, and having given away all the bargaining chips in the first round, Canada is in a weak position entering discussions with the U.S. on the definition of subsidies.
- The penalty for meeting the Canadian safeguards of the Auto Pact has been weakened. Removal of the U.S. tariff (about 90% of the penalty) leaves only the penalty on overseas imports as an incentive to meet Auto Pact conditions.
- With non-Auto Pact manufacturers approaching half the share of the market, it is important to bring these manufacturers under Auto Pact conditions; the FTA makes it impossible to do so, and constrains Canada's ability to have an auto policy.
- The 50% North American rule will have little impact, with political pressure and exchange rates being more important. A North American rule that replaces a Canadian safeguard represents a loss for Canadians.
- The Auto Pact is an example of managed trade, not free trade; it achieves what free trade tries to disallow – commitments to jobs and investment in Canada.
- The government estimates that 120,000 new jobs will be created over 5 years; this number should be considered in the context of the following:
 - the economy produced more than this number (159,000) in three months in 1987;
 - alternatives such as federal assistance in funding infrastructure improvement would produce over double (285,000 jobs) this number.
- Federal government pamphlets showing the benefits to consumers are based on questionable assumptions.
- Regional development suggests interference in the market and free trade would erect barriers to regional development and diversification.

Conclusion

- The FTA is not only about tariff removal but about the control and use of natural wealth, the control over the investment which shapes industrial structure, and the ability to use popular pressure to influence the direction of the economy and how its benefits are distributed.
- Ontario can play a forceful role in distributing information and counter arguments to all Ontarians.

CANADIAN BANKERS' ASSOCIATION Oral presentation, Hansard F-17, January 28, 1988 Afternoon Sitting

Main Issues

- It seems clear that Canada will get an exemption from the Omnibus Trade Bill.
- While the dispute settlement mechanism is not perfect, it is better than no mechanism and better than the present ad hoc system.
- It is incumbent on those who do not like this deal to propose an alternative.
- The fact that there is no dispute settlement in the case of financial services means that some of the conditions, such as amendments to the Glass-Steagall Act, are not yet fully resolved.
- National treatment in financial services does not give Canada symmetrical access to the U.S. market:
 - Canada has traded country-wide access for only state access.
 - Canada has started merging commercial and investment banking to a much greater extent than the U.S. There are proposals to modify the Glass-Steagall Act, but this has not yet occurred.
- Members of the Canadian Bankers' Association believe they can compete fully with American banks. While some American banks in Canada may get larger it is unlikely that they will be capable of broad retail expansion because the competition is tough.

Conclusion

- Right of access was not given equally and, from a narrow financial interest in the short run, the FTA is not a good deal for banks. However, the banks believe that it is a good deal for the country, and therefore in the long run in the interest of the banks.

CANADIAN ENVIRONMENTAL LAW ASSOCIATION
Exhibit No. 1/01/118

Main Issues

- **Energy:**
 - Canada is locked into continual supplying of the American energy market, even if national priorities change as a result of shrinking supplies and an increased recognition of the need to move to conservation.
 - Ending the requirement for upgrading Canadian uranium for export to the U.S. means that Canada will continue to mine this controversial and dangerous substance, but lose employment opportunities from the refining of it.
 - Changes to investment provisions mean that Canadians will be subsidizing Canadian and American energy enterprises for export to the U.S. market, and will be guaranteed prices no higher than those charged to Canadians.
 - Canadian governments are prevented from exercising any significant control over energy pricing and exports; possibilities of conservation strategies and soft energy paths for the future are therefore effectively precluded.
- The policies of accelerated development and mega-project development have several negative effects:
 - The development of hydro facilities and of offshore oil fields commonly endanger surrounding fisheries.
 - The massive mobilization of capital required for mega-projects depletes capital which would otherwise be available for regional economic diversification.
 - These projects typically create little local employment while having massive physical impacts on geography and wildlife; they also prevent resolution of native claims.
- **Resources regulation and conservation:**
 - Chapter 4 of the FTA seems to preclude future provincial initiatives, including requirements on industry to locate processors near the extraction of the resource, and local procurement of supplies.
 - The FTA may contravene the constitutional rights of the provinces for natural resource regulation.
 - There is concern that the power to effectively regulate and conserve natural resource use in Canada has been lost to both federal and provincial levels of government, and that rapid, market-driven exploitation of our resources will degrade the environment and deprive future generations of Canadians of economic and environmental values.

- Fisheries:
 - The FTA fails to protect the right to insist on domestic processing of Canadian fish.
 - The right of national treatment may preclude any restriction on the movement of U.S. commercial fishermen into Canadian waters.
- Agriculture:
 - Of particular concern under harmonization of agricultural technical regulations are the inclusion of "unavoidable contaminants" (at present not permissible in food products in Canada) and pesticides (adopting U.S. criteria of risk/benefit analysis vs. Canadian criterion of risk alone).
- Harmonization of technical standards:
 - With the great diversity of standards among American and Canadian federal, state and provincial laws, there is concern with whether Canadian standards, for example in environmental protection, will be raised or lowered.
- Services:
 - Article 105 (national treatment) and Chapter 14 permit American service sector penetration into Canada. There is concern about lost employment in areas such as data-processing, American-managed health services in Canada, and a variety of services to be conducted in Canada but administered from the U.S.
 - Canadian environmental services now open to American penetration include soil preparation, crop planting, livestock and animal specialty services, etc.
 - Cumulatively, these provisions are likely to lead to declining employment in these sectors and greater dependence on primary extraction of natural resources.
 - A combination of service sector provisions and the monopoly provision reduces the policy options available.
- American trade law and environmental protection subsidies:
 - Disputes on countervail and antidumping turn on the American concept of what constitutes "subsidies" in production. Since this is still not defined, the FTA does not prevent American retaliation against Canadian social policies such as unemployment insurance for fishermen.
 - Government subsidies (incentives) in Canada have been used to achieve environmental protection goals; it remains possible that these subsidies will be attacked by American industrial interests as unfair subsidies to Canadian companies.

- Impact on native rights in Canada:
 - Acceleration of development of energy and natural resources likely to be fueled by the FTA will create increasing difficulties for native land claims and native rights to self-government.

Conclusion

- CELA's analysis of the Free Trade Agreement indicates that it will have significant impacts on the environment, as do most economic development proposals. This deal is the government's blueprint for Canadian economic development for the future, and entrenches a market-oriented approach to economic decision-making which will accelerate resource development in Canada and put added stress on the environment.
- There was no involvement in the negotiations by Canadian federal or provincial environment ministers, no government assessment of the environmental impact of the deal, and no opportunity for examination of these impacts or any form of public participation in the negotiations. In all these respects, and in the surrender of both provincial and federal powers to enact environmental protection through various policy alternatives, the actions of the federal government in negotiating this agreement are in direct contradiction with its claim to adopt the approach and recommendations of the report of the National Taskforce on the Environment and Economy.

CANADIAN EXPORTERS' ASSOCIATION
Exhibit No. 1/01/96

Main Issues

- A mini-survey of a representative group of members indicated that 90% felt their exports would be either maintained or increased as a result of the FTA; 50% predicted increases in their exports to the U.S.
- Some concern was expressed by those who had to face competition because of their high input costs in food processing dictated by marketing boards, or because of provincial trade distorting measures which threatened international competitiveness.
- 46% anticipated increased employment, and 42% see present employment maintained.
- Examples of industries where the FTA is considered to hold promise of improved exports include polyethelene and methynol products, steel, minerals, high tech, and a grain cooperative.
- Offshore markets and Canada's role in the multilateral trading system under the GATT remain important; however, the U.S. remains by far the largest market for Canadian exporters.

Conclusion

- Some 90% of Canadian exporters believe that the FTA is a good deal, and that it will help in improving and securing access to the large U.S. market.

CANADIAN FEDERATION OF INDEPENDENT BUSINESS
Exhibit No. 1/01/104

Conclusions

The findings of recent CFIB surveys conducted before, during and after the signing of the FTA are consistent and conclusive. A large majority of small and medium-sized firms in Ontario and across Canada are anticipating the impact of the FTA on their business to be positive or neutral. A comment from a CFIB member in Toronto provides an apt summary of the majority of members' opinions.

I strongly believe that free trade with the U.S. is not only essential but it is just one of a series of economic and political steps that must be taken throughout the world to reduce barriers which create global tension and inhibit the development of less fortunate countries. Our resistance to inevitable change will put us directly in the path of a steamroller which we are now being given a chance to help steer. We can bury our heads in the sand and get run over, or we can look around and try to make the world (and in the process, Canada) a better place to live in.

CANADIAN FOUNDRY ASSOCIATION
Exhibit No. 1/01/37

Main Issues

A joint survey undertaken in September 1987 by the Canadian Foundry Association (CFA) and American Cast Metals Association (ACMA) reveals that:

- Over 60% favour elimination of trade barriers.
- The majority believe that the elimination of trade barriers could be effective immediately.
- While most respondents do not have problems competing in the domestic market, those that do most frequently cite price cutting, followed by tariffs as the most common problems.
- Only 13% of Canadian companies and 22% of U.S. companies perceive there to be unfair trading practices in the U.S./Canadian metal casting industry.
- Tariffs are cited by both countries as the major problem in exporting to the other's market. Ranked second are customs procedures by Canadian producers, and the exchange rate by U.S. producers.
- Almost 80% of respondents are in favour of the ACMA and CFA working together to resolve industry trade disputes.

Conclusion

- It is hoped that the industry itself will be able to resolve most disputes involving trade in foundry products between Canada and the U.S. without recourse to government tribunals.

CANADIAN INDEPENDENT COMPUTER SERVICES ASSOCIATION
Exhibit No. 1/01/03

Main Issues

- Transborder processing of Canadian data over the last few years has resulted in large losses (estimated 200,000 jobs) in job opportunities; this has occurred mainly where foreign-owned businesses transfer office jobs from their subsidiaries to U.S. head offices. This one area of loss of jobs in services would wipe out predicted gains in manufacturing from a free trade agreement.
- Draining of Canadian data in a north-south direction will ensure that Canadian east-west communication links will become more costly and high speed links may never be established. There may be a similar effect on other east-west communication facilities, such as railways.

Conclusion

- There will be an inevitable loss of jobs and business opportunities for Canadians.
- Entering into the FTA will be very harmful to internal trade.

CANADIAN MANUFACTURERS' ASSOCIATION
Exhibit No. 1/01/78

Main Issues

- Manufacturers need the opportunity to grow in a larger market in order to confidently make the investments in sophisticated advanced technology necessary to become truly competitive. A core element of access to this market is the removal of tariffs, fully accomplished in the FTA.
- Real, long-term security comes from the ability to compete effectively. The FTA increases this ability.
- The dispute settlement mechanism establishes the central principle which protects Canada from unilateral interpretation of U.S. laws and from blatant political manipulation.
- While Canada has not achieved all it wanted, the FTA represents substantial progress in the right direction. It offers increases in the standard of living, and the removal of many historical, regional tensions between western and central Canada.
- The FTA will benefit the various regions of the province; mining and forest products in the north, and auto parts, petrochemicals, service industries and professionals in the south.
- The FTA meets the six conditions laid down by the Ontario government.
- Small manufacturers are nervous and have difficulty understanding the details of the FTA but are also excited by the opportunities.
- Small manufacturers are continuously adjusting. Changes in the trading environment are less significant than technological changes, shifts in consumer preferences, new competitors or interest rate fluctuations.

Conclusion

- The FTA provides a sound foundation on which to build Canada's future trading relations and is an essential component in improving Canada's international competitiveness.

CANADIAN PRINTING INDUSTRIES' ASSOCIATION
Exhibit No. 1/01/109

Main Issues

- Factors contributing to the present strength of the Canadian printing industry include the existence of a viable Canadian publishing industry, government print procurement, the commitment of the federal government to regional industrial development, a favourable exchange rate and tariff protection.
- With the exception of the exchange rate and government print procurement, the FTA affects all of the above factors.
- The U.S. printing industry enjoys a net competitive advantage over the Canadian industry for reasons which include:
 - Lower operating costs from economies of scale, lower labour rates and increased productivity.
 - A higher level of capital investment in relation to sales, including the U.S. ability to acquire specialized and expensive technology.
- Concerns with the FTA include:
 - The five year tariff reduction schedule is too rapid, given current high tariff levels.
 - The "Print in Canada" requirement for deductible advertising expenses has been removed.
 - While U.S. Treasury restrictions on the importation of lottery tickets have been lifted, this does not alter individual state restrictions.
 - The reduced ability of the government to foster economic development.
- As it fails to address the competitive advantage of the U.S. industry, the FTA will add to dislocation and job loss within the industry.

Conclusion

- While the Canadian printing industry is willing to meet greater competition from free trade, to do so in a time of rapid change requires government assistance to help the industry address underlying structural weakness.

C.D. HOWE INSTITUTE
Exhibit No. 1/01/101

Main Issues

- The FTA provides for major gains in three main aspects of access:
 - It increases the access of Canadian producers to the U.S. market, for example by embedding GATT rules encouraging market access into the FTA, by eliminating tariffs, etc.
 - It makes that access more secure, for example by removing the threat of quantitative restrictions, by granting the right to national treatment, by removing the sideswipe problem, etc.
 - It promises to add to that security in the future, with consultations designed to revise antidumping and countervail laws over the next seven years.
- Canada would not gain as much access through the Uruguay Round of GATT negotiations as the FTA offers.
- The argument that "it is wrong to tie Canada's star to a declining economic power such as the United States" may be countered with:
 - Although the U.S. may be having its difficulties, it is still the biggest and fastest-growing market available to Canadian exporters;
 - access to any foreign markets is good for Canada whenever and wherever they may be found;
 - even doubling sales to Japan and the Pacific Rim would only marginally reduce Canada's dependence on the U.S.
- A supplementary paper discusses at length the sovereignty issue.

Conclusion

- The United States' offer of preferential access to its mass market has made Canada the envy of the trading world. For a small trading country whose economic health depends critically on exports, the offer is too good to turn down. The business community, which is risking its capital and its livelihood, is overwhelmingly in support. To reject the Agreement is to reject one of the most imaginative proposals to make progress on all aspects of market access to come our way since Canada was first offered charter membership in the GATT.

CHRISTIAN FARMERS FEDERATION OF ONTARIO
Exhibit No. 1/01/106

Main Issues

- Independent family enterprises must be maintained in, for example, poultry and dairy production. Canada should avoid the situation in the U.S. where industrialization of agriculture has been so rapid that rural communities have been destabilized and are now becoming ghettos of the poor.
- The FTA weakens Canada's opportunities for maintaining regional development programs.
- Increased stewardship of farmland, such as sustainability, conservation and agroecology is necessary in order to sustain productive agriculture; these initiatives are in conflict with the effects of freer trade.
- The FTA will cause hardship to fruit and vegetable growers and their employees; grape production and the wine industry is doomed.
- The FTA will speed up the movement of food processors into the U.S.
- Increased poultry imports are unwarranted. The FTA removes growth opportunities from Canadian farmers and food processors by allowing U.S. farmers and processors to fill expanding requirements for processed poultry and dairy products.
- Agriculture is energy dependent; the FTA has traded away a natural advantage of reasonable energy costs.
- The binational dispute panel provides no relief from existing U.S. trade laws.
- Exemption from U.S. meat import laws are helpful, primarily in the context of protectionist sentiment in the U.S. Congress.

Conclusion

- The CFFO opposes the FTA as it does not adequately balance the benefits of expanded trade with the benefits of self-sufficiency.
- Expansion of trade is not a solution to the international crisis in agriculture.

CLARK, MR. MEL, AND MR. DON GAMBLE
Oral Presentation, Hansard F-51, Thursday 16 June 1988

Main Issues

- The federal government in November 1987 explicitly stated its policy that the export of Canadian water by interbasin diversions would be prohibited. It has further stated that water is not part of the FTA (with the exception of bottled water: Tariff tables 22:01).
- Despite the federal government's statements, water is included in the FTA, both implicitly and explicitly.
 - Implicitly, provisions of the FTA such as national treatment apply to goods and services, as defined by the GATT. Tariff schedules of the GATT and its adoption of the Harmonized System indicate the GATT understands water to be a 'good'.
 - Explicitly, the explanatory notes for tariff item 22:01 of the FTA, as well as the Harmonized System, include all ordinary, natural waters, whether or not clarified or purified.
 - Water is not specifically excluded, even though other goods and services have been. There is an implication that exclusion was removed at the last minute.
- The FTA would override the federal water policy.
- The FTA gives the U.S. substantially greater rights and imposes greater obligations on Canada in the control and export of resources than does the GATT in, for example, the application of national treatment or export taxes.
- As a non-legal opinion, Ontario would have the right to block a project such as the Grand Canal before the FTA is implemented, but not once it is in force.
- There are predictions of water shortage in the future, and the scientific community is urging the utmost caution. If Canada wishes to export water, it should at least understand what it is doing.
- The FTA substantially increases the risk of Canadian exports being subject to countervailing duty, antidumping and related harassment in the U.S.
- The GATT provides more secure access, and faster dispute settlement than the FTA. Under the GATT, the U.S. cannot change the rules, while under the FTA, decisions are made under U.S. laws, which the U.S. can change.
- The option of being able to use either the GATT or FTA dispute settlement mechanism (Article 1801:2) is an illusion. The GATT since 1949 has stated that "the determination of rights and obligations between governments arising under a bilateral agreement is not a matter within the competence of the Contracting Parties." Effectively, Canada - U.S. trade relations will be taken out of the GATT by the FTA.

COALITION AGAINST FREE TRADE
Exhibit No. 1/01/67

Main Issues

- The Coalition wants the Province "to state clearly and unequivocally that it will not implement the Canada-U.S. FTA in areas of provincial jurisdiction and that it will continue in future to legislate and regulate . . . regardless of the FTA."
- At issue is how the FTA will restrict policy options for provincial governments and the role the Government of Ontario can play to stop the deal.
- Areas of provincial jurisdiction affected are:
 - wine and liquor regulations;
 - agriculture;
 - energy;
 - resource pricing and management;
 - services such as finance, insurance and real estate;
 - transportation;
 - mining services;
 - health care management;
 - forestry services; and
 - professional accreditation, etc.
- Article 103 ensuring provincial compliance is a major constitutional issue.
- The extent to which provincial programs may be in violation of the FTA is of concern as well as the issue of "unfair subsidy." Social programs could be challenged.
- The Coalition is concerned that the Canadian economy will become progressively tied into the U.S. system. Canada's bargaining position has been undermined. The FTA commits Canada to further negotiations in the subsidy question, standards, harmonization, etc.
- The proliferation of panels and committees between the countries ties Canada institutionally and legally in a "trade bureaucracy."
- The FTA will affect the following:
 - agriculture marketing boards;
 - the health care system; and
 - cultural policy.
- Existing supply management systems will be undermined by market pressures if Canadian food processors are paying higher prices in a supply managed economy. Another concern is that firms may relocate to the U.S.

- The Coalition has concerns about the health care field (Chapter 14), for example nursing homes, hospitals, clinics under the FTA. The public health insurance could be challenged as an unfair subsidy. Article 2005 permits retaliation in commercially harmful actions, e.g. the cultural sector.
- The Coalition concerns touch all sectors and include:
 - sovereignty and cultural identity;
 - distinctive public policies (e.g. social programs);
 - environment;
 - regional development; and
 - resource management.
- The regional benefits of the FTA have been exaggerated and furthermore regional development programs are not protected.

Conclusion

- The Coalition has urged the Government of Ontario "to state that it will not cooperate in further negotiations to discipline subsidies or to extend the Agreement in other areas and that it will not be bound by the results of the negotiations."
- Ontario must make the issue of provincial power a major component of its opposition to the FTA.

CONSULATE GENERAL OF THE UNITED STATES OF AMERICA Exhibit No. 1/01/92

- Testimony by the United Steelworkers and Ontario Federation of Labour included quotations from Clayton Yeutter that the Canadians "don't understand what they have signed" and that they will be "sucked into the U.S. economy" in 20 years. The Deputy Consul General of the United States of America states that the attribution is false and the remarks were not made by Ambassador Yeutter or anyone on his staff.

CONSULTING ENGINEERS OF ONTARIO
Exhibit No. 1/01/51

Main Issues

- In general, consulting engineers support the principle of an open marketplace and fair competition.
- Canada and the U.S. are already closely linked through GATT and U.S. protectionism is constrained in many sectors by its obligations under GATT.
- Special concerns that were not entirely addressed in the FTA include:
 - Service industries must remain economically viable at home to permit the necessary investment of time and money required for success in international marketing.
 - Freedom of operation should be established across provincial boundaries in Canada.
 - Engineering practice licensing is a state, not federal matter in the U.S. and lack of reciprocity requires an engineer to apply for licensing on a state by state basis necessitating the writing of examinations. In Canada licensing is reciprocated between provinces and U.S. applicants are generally licensed without examination.
 - With a significant segment of Canadian resource and manufacturing industry U.S. owned, an open 'trade in service' border may encourage the use of U.S. consultants who normally service head office engineering needs, at the expense of Canadian consultants.
 - U.S. companies may abandon or downplay their branch plants in Canada.
 - Over 80% of Canadian consulting firms are small businesses with less than 25 employees. Freer trade will assist only those firms with very unique skills, but the majority may lose their local markets and lack the financial and human resources to compete with the U.S. consulting industry; freer trade benefits are therefore likely to accrue to the large, financially powerful firms of both nationalities.
 - A freer relationship may be viewed by third party countries as a single North American market which could halt Canadian branch plant investment from such countries as Japan, Korea and the EEC.
 - There is concern about the possible adverse effects on research and development in Canada presently paid for by many U.S. owned or controlled subsidiaries and now conducted in Canadian universities and by Canadian consulting engineers.

Conclusion

- The Consulting Engineers of Ontario are in support of reduced constraints in cross-border movement which will benefit those firms seeking each other's market. They regret the absence of government procurement access, which represents one of the largest service markets in the world.

COUNCIL OF CANADIANS
Exhibit No. 1/01/79

Main Issues

- The central issue is Canadian energy sovereignty, that is the ability to control and manage Canada's future energy destiny.
- The Council is concerned about future energy shortages in a society that is heavily energy dependent. Hydrocarbon reserves are relatively insignificant compared to future Canadian needs and the pace of their development controlled primarily by foreign-owned entities.
- New policies are required to protect Canadians from "the harmful consequences of unrestrained market forces," if Canada is to survive as an independent nation through a policy of energy self-sufficiency.
- Foreign governments and firms have self-interests which are not in Canada's best interests.

Conclusion

- The federal government has responsibility to set policy, independent of foreigners, to achieve "energy security and equity for all Canadians" to protect national sovereignty.

CRISPO, PROFESSOR JOHN
Exhibit No. 113 a,b

Main Issues

- The theme of Professor Crispo's submission is that the opponents of the FTA have been deliberately distorting and misrepresenting the circumstances surrounding its negotiation and the terms of the agreement itself.
- The status quo is not a real alternative to free trade with the U.S., given growing U.S. protectionism, as exemplified in the Omnibus Trade Bill, together with Canada's reliance on the U.S. market.
- Relying on GATT instead of free trade has two problems:
 - GATT's four to five year negotiating timetable is too long for Canada to wait in the face of rising U.S. protectionism.
 - A GATT breakthrough is anything but certain.
- The costs of failing to consummate the FTA include:
 - Threat of the Omnibus Trade Bill,
 - Potential gutting of the Auto Pact.
 - Forcing Canadian entrepreneurs to establish branch plants in the U.S. rather than work from Canada.
 - Foreign investment in Canada will be jeopardized without ready access to the U.S. market.
- The dispute settlement mechanism is an improvement since, with U.S. countervail and dumping laws the same as Canada's, the problem in the past has been in their administration. The dispute settlement mechanism will help to make the decision-making process more objective.
- Guaranteed access to the U.S. for Canadian energy is essential to generate funding required to finance megaprojects. In return the Canadian government cannot charge higher prices to U.S. customers – though Canadian utilities can – and Canada must cut back exports to the U.S. proportionately in times of crisis. This proportional sharing applies only to that energy which Canada chooses to sell to the U.S., and then only for the duration of existing contractual arrangements.
- There is no doubt that Canada yielded some sovereignty in relation to energy, investment and services. On the other hand, it may have gained some sovereignty through incorporation of the dispute settlement mechanism.
- Professor Crispo submitted a supplementary document addressing the province's conditions for accepting the FTA. The document covers dispute settlement, the Auto Pact, culture, investment, marketing boards, regional development and social security programs, and sovereignty.

Conclusion

- Despite shortcomings such as no general code of fair trade behavior or no general procurement policy, the FTA is a good, solid deal for Canada. It enhances and protects Canada's access to its major foreign market, and introduces an effective bilateral dispute settlement mechanism without jeopardizing the major non-economic elements which are the essence of Canada.

DARE FOODS LIMITED Exhibit No. 1/01/19

Main Issues

- The FTA has a negative effect on the three major segments of the business:
 - Cookies: Loss of the 5% Canadian tariff while the U.S. tariff remains unchanged at virtually zero percent, plus the incorporation of the GATT waiver which allows the U.S. to impose import quotas on goods having a sugar content greater than 10%, means that the company both loses competitiveness domestically and is blocked from exporting cookies to the U.S. Additionally, it has to buy higher-priced Canadian ingredients due to supply management policies.
 - Candies: Canadian sugar confectionery is barely competitive with cheaper U.S. imports with the current tariffs. Removal of the higher Canadian tariff (15% vs. U.S. tariff of 7%), and the restriction on candy imports to the U.S. outlined above will result in cutbacks or closing of Canadian candy manufacturers unless there is massive capital investment in new, more efficient candy production.
 - Crackers: Loss of Canadian tariff protection of 5% while the U.S. tariff barrier remains unchanged at virtually zero per cent, and high ingredient costs from supply management policies negatively affect trade in crackers.
- Government action that would help counter the effects of the FTA include elimination of the two-price wheat system, elimination of supply management systems, maintenance of the present world-price sugar policy, revision of the FTA to override the GATT waiver allowing U.S. import quotas on products containing in excess of 10% sugar, adjustment assistance to sugar confectionery firms to modernize their production facilities, reform of the corporate tax system and caution in introducing legislation that would have the effect of increasing the costs of Canadian companies.

DOW CHEMICAL CANADA INC.
Exhibit No. 1/01/133

- In the 1970s Dow recognized that a viable chemical industry in Canada required building world scale plants and, since Canadian markets would not absorb the output, exporting the surplus around the world. Since the 1970s they have built only world-scale facilities, and shut down smaller, uneconomic facilities.
- Rising protectionism can destroy the vitality of the Canadian chemical industry; enhanced trade through the FTA will promote its continued expansion.
- In recent years Ontario, especially the Sarnia area, has experienced little or no growth in the chemical sector as new developments have located close to hydrocarbon feedstocks in Alberta.
- A Canada-U.S. free trade agreement which will provide the Sarnia area with open access to the large adjacent U.S. market will cause revitalization of this area.

DRACHE, PROFESSOR DANIEL
Exhibit No. 1/01/136

Main Issues

- The FTA reaffirms and heightens the asymmetrical power relationship between Canada and the U.S., rather than put it on a more equal footing:
 - Granting the U.S. the right of national treatment and national presence will result in minimal restriction on American investment or divestment; the Canadian governments will be unable to manage the economy in Canada's national interest.
 - While Ottawa has to change and amend major pieces of federal legislation in banking, energy, agriculture, services, the Auto Pact, investment, financial services and immigration, the Americans have few fixed obligations to change, repeal or modify American federal laws to make them conform to the FTA.
 - All Canada's major regulatory agencies, such as the Wheat Board, Canadian Transportation Commission, CRTC, NEB, etc. will find their powers substantially reduced.
 - Under Articles 710 and 1610 Canada has given up its independence to speak with a separate voice at the Uruguay Round of GATT talks.
 - Under Article 1405 Canada accepts the legal obligation to expand the FTA to cover other services such as transportation that are not listed at present. As the stronger partner, the result of U.S. demands to reopen and modify sections of the FTA is unlikely to favour Canada.
 - Harmonization is particularly dangerous for Canada due to the decentralized nature of the Canadian political system, and because of the distinctly different ways Canada has with coping with economic, political and cultural issues.
 - Canada has ceded control over its resources.
 - The legalization of the public policy process, through the use of the courts, makes Canada more dependent on American judicial processes and practices.
- The FTA imposes different rights and obligations on Canada and the U.S.:
 - Although the FTA is supposed to have binding arbitration rather than power politics as its principle objective, in two strategic areas of energy resources and investment, conflict will be resolved by discussion and consultation rather than the formal dispute mechanism (Article 1704).
 - Although the rules of origin allow both countries to import partially manufactured goods from low-wage countries, as a result of a series of recent decisions by U.S. customs courts expanding the definition of assembly, low-cost goods largely manufactured outside the U.S. can enter the Canadian – U.S. free trade area duty free and compete against Canadian industry. This will result in more job loss and further plant closures in key, import-sensitive sectors of the economy.

- The Canadian government is restricted in the following ways:
 - Article 103 restricts and reduces provincial legislative authority.
 - In the past both Liberal and Conservative governments have used public monopolies for national economic and social objectives.
 - Article 2010 now requires that the government consult with the U.S. not only before creating a new public monopoly but also after it.
 - Particular provisions, such as Articles 903 and 1407, restrict Canadian legislative authority to tax.
 - Article 1602 prevents federal and provincial authorities from introducing new ownership restrictions to curtail American investment rights.
 - Although Canadian investment in the U.S. is unrestricted by the FTA, provisions of the Omnibus Trade Bill or other measures to control the flow of foreign capital into the U.S. may override the FTA.
 - Industrial planning that threatens foreign ownership rights will be affected by Article 1603 which prevents Canadian governments from demanding performance requirements, job or production guarantees.
 - The wording of Article 1402 in reducing differences in standards on health, safety and consumer rights suggests that a minimal standard is not only permissible but preferable.
 - Article 1605 suggests that the Canadian government no longer has the effective and legal power to nationalize key sectors of the economy under American control.
 - The FTA protects U.S. business rights to receive subsidies, for example for oil and gas exploration.
 - Allowing temporary access of business persons will limit the ability of the Canadian government to protect jobs for its citizens, and with less control on immigration.
- Free trade is the wrong developmental model for Canada, given changes in the international economy such as the growth of efficient industries in low-wage nations. It is more appropriate for the state to act as a buffer between the domestic economy and the external economic environment, and to manage trade according to certain criteria.

Conclusion

- Given the extent and number of restrictions on Canadian legislative authority, as well as the asymmetrical nature of the rights and obligations imposed on Canada compared to the U.S., it is unlikely that, under the FTA, Canadian governments will be able to initiate major changes to legislative programs without prior consultation and, in the end, American approval.

ECONOMIC COUNCIL OF CANADA
Exhibit No. 1/01/128

Main Issues

- More open access: Tariff reduction has been achieved. However, non-tariff barrier reduction has been disappointing, without full access to nonmilitary government procurement, nor freer access in transportation; and the softwood lumber memorandum of agreement remains.
- Services, investment and energy have gained more secure access. The bulk of the automotive industry will be unaffected, though small parts manufacturers may have to restructure; irritants have been diffused.
- The general rules do not provide blanket relief from the forthcoming Omnibus Trade Bill.
- The development of rules on unfair pricing, subsidies, antidumping and countervail is crucial as without these rules Canada is still subject to the uncertainty and costs of trade actions.
- Two major consequences may be expected as a result of the FTA:
 - Removing tariff and nontariff barriers will lower prices and production costs, leading to an increase in consumer expenditure and investment, and resulting in increased output and employment.
 - U.S. competition and secure access to the U.S. market may lead to rationalization of Canadian manufacturing and increased productivity.
- Under the most likely simulation of the impact of the FTA (removal of trade barriers plus productivity gains), it is estimated that by 1998 there would be an additional 251,000 jobs in Canada and GNE would increase by 2.5%, compared to a base case of no change in the Canada-U.S. trading relationship.
- Employment in Ontario under this simulation is projected to increase by 94,847 jobs by 1998, with a real GDP increase of 2.3%.
- The Economic Council also discusses sectoral and industrial impacts.
- A further document discusses principles for adjustment, and emphasizes labour market assistance rather than assistance to firms to modernize capital equipment.

Conclusion

- The reduction in trade barriers give a modest but significant boost to the growth in incomes, output and productivity over the longer term.
- The rule-making elements of the FTA, clearly within the GATT framework, may turn out to be as important to Canada as the explicit reduction in trade barriers. For investors and for exporting and importing firms on both sides, the real (but not easily measured) gains that may be derived from more secure access may match the measured, economic benefits that flow from an increase in access to each other's markets.

FAIRLEY, DR. SCOTT
Oral Presentation, Hansard F-4, December 17, 1987
Morning Sitting

- Dr. Fairley made remarks on three areas:
 - Constitutional principles that give rise to the situation where provinces have an entitlement to assert a constitutional role in foreign affairs.
 - Jurisdictional reference points in the federal division of powers that pertain to the FTA.
 - Specific provisions of the FTA.
- Constitutionally, the combination of exhaustive distribution of powers, and the assignment of exhaustive power to exclusive spheres of federal or provincial jurisdiction (ss. 91 and 92, Constitution Act 1867) leads to the conclusion that if one level of government is found not to have the requisite level of authority, then the other level of government must have that authority.
- In the Labour Conventions case, the Privy Council found that there was no category of jurisdiction regarding the power to implement treaties, and stated that "the Dominion (i.e. federal government) cannot, by making promises to foreign countries, clothe itself with legislative authority inconsistent with the Constitution." It is Dr. Fairley's view that "this authority can be transcended in a principled way."
- The particular jurisdiction reference points on the federal side that relate to the FTA are:
 - the regulation of trade and commerce which is an exclusive federal field under ss. 91(2) of the Constitution Act 1867; and
 - more broadly, the general power of the Dominion to enact laws for peace, order and good government.
- Reference points on the provincial side are:
 - property and civil rights, which encompasses local business, regulation of local trade and single industries (ss. 92(13));
 - the development and conservation of natural resources (s. 92a), though Dr. Fairley indicates that there is some ambiguity in the way s. 92a is written.
- Wine and distilled spirits: While this has historically been a shared field, the 1928 amendment to the Importation of Intoxicating Liquors Act conferred a monopoly to all provincial governments with respect to importation. This monopoly combined with existing provincial jurisdiction over the local pricing, distribution and marketing effectively creates an area of exclusive provincial jurisdiction. However, it would be possible for the federal government to strike down the amendment conferring a monopoly with respect to importation to provincial governments. The situation therefore is not clear.

- Energy: With the 1982 Amendment to the Constitution Act, the province has considerable powers in terms of controlling the development of its own resources, including the power to make laws in relation to the export from the province to another part of Canada. However, this does not derogate from the authority of parliament to enact laws in relation to matters referred to in s. 92a.
- As a general principle, in a shared field where federal and provincial powers overlap, provincial laws in the absence of a federal challenge stand. However, if there is a conflict the federal statute will always prevail, though in recent cases the test for conflict has been a rigorous one.

FISHER, BARRY MICHAEL
Exhibit No. 1/01/146

Overview

- From a constitutional point of view, the federal government does not appear to have clear authority under existing interpretations to compel provincial compliance with Canada's international obligations under a free trade agreement without the co-operation or at least acquiescence of the provinces. Although Canadian courts are taking a broader view of the "peace, order and good government" and trade and commerce provisions in Section 91 of the Constitution Act, the law as it exists today constrains the ability of the federal government to act unilaterally, except in those areas of exclusive federal competence such as banking and patents under Section 91 of the Constitution Act.

Conclusion

- All that can realistically be said at this point is that the manner and effectiveness of obtaining necessary concurrence of the Canadian Senate to implement any federal legislation and of the provinces in areas of their legislative competence will be the supreme challenge of the current government. The hoped-for result is an agreement under which Canada may still have all the same problems as the United States, but at least in the area of trade will not have the problem of the United States.

GRAHAM, W.C., Q.C.
Exhibit No. 1/01/154

Main Issues

- References to the Commission (Canada – United States Trade Commission) in the FTA are so summary that only future experience will enable us to know how it will work in practice.
- The treaty provides for only one meeting per year of the Commission. The Agreement recognizes the need to establish ad hoc committees, working groups and standing committees and the introduction of Chapter 18 suggests that the day to day work of the Commission will be carried on by "working groups of officials of the two countries". The latter reference suggests the notion of ad hoc groups meeting to deal with specific problems as they arise. Surely a standing committee will have to be established, supported by the full-time, specially qualified joint staff. It could deal with the day to day problems which must be addressed under this Agreement, including:
 - the implementation of the Agreement and the timely warning of potential disputes with ways to address them;
 - the receiving of notifications by either party relating to proposed measures by the other party which are considered as materially affecting the operations of the Agreement and the receipt of information about measures taken by either party which will affect the other party or its citizens;
 - assistance in consultations between the parties, perhaps through the establishment of joint fact-finding groups of experts;
 - the preparation of recommendations to the two governments on how to deal with disputes if so requested;
 - the maintenance of rosters of experts for the purpose of mediation, conciliation or arbitration and help in the selection of appropriate persons qualified to advise in particular disputes;
 - advising the Commission on the recommendation of panels of experts;
 - the consideration of future issues and the requirements for further elaboration of the Agreement;
 - the reasonableness and proportionality of countermeasures taken as a result of treaty violations; and
 - overseeing the harmonization of standards on animal health, plants, etc. as provided for in the schedules to Chapter 7.

Conclusion

- The types of issues which will become of concern to both governments and their citizens as a result of this agreement are potentially extensive. Without a permanent group of experts working together with the common goal of ensuring the effective application of the Agreement, the Commission runs the risk of being a body which will respond only to domestic political pressures on various issues as they arise.

GROUP OF FARMERS FROM WATFORD
Exhibit No. 1/01/108

Main Issues

- The group is not opposed to expanding trade but it must be done in a way that does not erode sovereignty, gut Canadian agricultural marketing systems nor reduce Canadian quality of life.
- Canadian agricultural marketing systems have worked well, so that Canada does not have huge stockpiles of surplus; they also provide price stability and a return on labour and investment to producers.
- Under the FTA there is loss of the two-price wheat system, erosion of the underpinnings of the marketing system, and loss of specialized grape-growing and tender fruit agriculture.
- There is concern that social programs such as medical care, unemployment insurance may be eroded or become profit-based.
- Energy: The FTA removes the right to price energy to Canadians at a different price than to the Americans. The Canadian competitive edge as owners of these resources will be lost forever.
- Sovereignty: Without the right to manage its own resources to benefit Canadians, Canada cannot be a truly sovereign nation.
- The cited benefit of the FTA, that of access to the U.S. market, may not be available to agriculture because of non-tariff barriers, the increasing value of the Canadian dollar in relation to the U.S. dollar, and lower wage rates in the southern states. In addition, security of access is determined by the application of U.S. trade remedy laws.
- Canada cannot compete with the U.S. and other countries with more moderate climates, where, for example, herds of cattle can be pastured for longer periods of the year.
- Canada has the best agricultural system in the world, and Canadian farmers do not wish to change to a corporate controlled system of food production as they have in the U.S. There are also fears that harmonization of U.S. and Canadian regulations will lead to a lowering of Canadian grades and standards.

Conclusion

- The group of farmers from Watford oppose the FTA. Secure access to the U.S. may not be achieved as U.S. trade remedy laws still apply. Canada has given away sovereignty, jeopardized social programs, and become an energy reservoir for the U.S.
- Canada's sophisticated marketing system is being eroded by the FTA, and by the U.S. and the Cairns Group, of which Canada is a member.

INSTITUTE FOR RESEARCH ON PUBLIC POLICY
Oral presentation, Hansard F-13, January 26, 1988
Afternoon Sitting

Main Issues

- The FTA is a classical free trade area under the terms of Article 24 of the GATT. The essential feature of a free trade area is that each country retains its own independent commercial policy. Protecting and retaining this independence requires clear rules of origin; the rules of origin in the FTA appear clear and predictable.
- The terms of the FTA are interwoven with the terms of the GATT, and many of the issues dealt with are interlinked with the Uruguay round of negotiations.
- The dispute settlement provisions are more formal than in other bilateral free trade areas.
- In services and investment, the FTA goes further than the EFTA-EC bilateral agreements, but falls well short of the full commitments to national treatment and rollback of barriers that apply within the European Community.
- In energy, the FTA explicitly incorporates Article 20 of the GATT; the FTA better defines the vague language of this Article concerning proportionality. There is some doubt of exactly when the proportionality provision applies, but the understanding of the witness is that it applies to existing contracts.
- The FTA is fully consistent with the obligations of Canada and the U.S. under the GATT.
- Canada is free to participate fully and independently of the U.S. in the Uruguay Round or other context.

THE INSTITUTE OF CHARTERED ACCOUNTANTS OF ONTARIO
Exhibit No. 1/01/134

Main Issues

- The Institute is concerned that the FTA could have the following impacts:
 - It can weaken, maintain or strengthen the integrity of Canadian accounting and auditing standard setting and of public accounting regulation: it needs to be strengthened.
 - The limited financial support of universities and the Government of Ontario to post-secondary, professional accounting education needs can be unchanged or improved by the Agreement: significant improvement is required.
 - Provincial government action to mitigate the Agreement's otherwise inevitable exacerbation of public accountants' professional liability insurance problems will either be forthcoming or it will not: in Ontario, professional liability related change is needed even without the Agreement.
- The Agreement raises four, main, interrelated issues in respect of public accountancy with which the Institute believes the Government of Canada and the Government of Ontario should be concerned:
 - the continued integrity of Canadian accounting and auditing standards and the Canadian standard-setting process;
 - the continued integrity of a single standard of public accounting on which Ontario's citizens may rely, including standards of qualification, practice and enforcement;
 - the ability of Canadian, particularly Ontario, chartered accountants to obtain the academic education required to meet the standards of the U.S. profession and, thereby qualify for reciprocal treatment; and
 - the Canadian legal system's approach and the related insurance industry approach to professional liability.
- The regulation of the profession is under provincial jurisdiction and the Institute is concerned about lack of uniformity in licensing in the U.S. and possible conflict between the U.S. and Canada as the profession in each country conducts business under the FTA.

Conclusion

- The Institute does not have a position on the FTA, but it generally supports free trade. Their position is pending the release of the implementing legislation and of critical importance is whether or not the Province can be instrumental in protecting their professional standards.

**INTERNATIONAL ASSOCIATION OF MACHINISTS AND
AEROSPACE WORKERS
Exhibit No. 1/01/117**

Main Issues

- The FTA makes impossible any positive, independent Canadian trade policy in the future. It also severely restricts the ability to use a wide range of public policy instruments, such as regional development assistance.
- Canada has failed to attain its original goals, such as guaranteed access to the U.S. market, and is going into the continuing negotiations with virtually all its bargaining chips wasted.
- The concessions made by Canada include giving up:
 - the right to place meaningful requirements on foreign investors;
 - the right to give even temporary aid to industries;
 - the right to control the production, and domestic and export prices of energy and other resources, in order to encourage economic development or ensure supply;
 - the right to have industrial and social development programs, including programs to ease adjustment to the FTA;
 - the Auto Pact and its guarantees of Canadian jobs; and
 - the right to set up public monopolies without prior U.S. approval and a requirement to compensate U.S. interests.
- The FTA will not lead to a net gain in jobs, for the following reasons:
 - secure access has not been achieved;
 - branch plants, faced with an open market and the threat of U.S. protectionism, will tend to locate new facilities in the U.S.; and
 - resource extraction sectors, which may show employment possibilities, are relatively low-employment sectors.
- Different sectors represented by members may be affected in the following ways:
 - Air transport: given deregulation and economies of scale, as well as the principle of national treatment in service industries, it is likely that Canadian carriers will be under severe pressure from U.S. carriers.
 - Rail transport: The FTA may prevent the government from providing further assistance in maintaining the rail transport system.

- **Aerospace:** The FTA would limit the ability to demand domestic sourcing in the commercial field, and offers no guarantee of access to U.S. military markets.
- **Auto:** In the long run, the greater part of Canadian auto assembly and parts production will be lost as a result of the FTA. Prohibition of the inclusion of other manufacturers into the Auto Pact precludes Canada in future from trading access to the Canadian market for Canadian jobs.
- **Manufacturing:** A wide range of small, Ontario manufacturing operations producing for the domestic market will be devastated by competition from larger U.S. producers.
- **Machinery:** The FTA further undermines this weak sector, through the elimination of duty protection and prohibition on support programs.
- **Major Appliances:** Already in decline, this industry and 7,000 to 8,000 Canadian jobs will disappear without tariff protection.
- **Paper Industry:** This sector remains vulnerable to attack under U.S. trade law for federal and provincial support for modernization programs, and Canadian stumpage charges.

Conclusion

- The FTA does not gain Canada anything of significance in the way of guaranteed access to the U.S. market, while giving up many domestic economic levers and potential future bargaining clout. Its negative effects would be irreversible.

JAPAN AUTOMOBILE MANUFACTURERS' ASSOCIATION OF CANADA
Exhibit No. 1/01/88

Main Issues

- There is no consensus among JAMA Canada members on the effect of the FTA, since its impact will likely differ from company to company.
- JAMA Canada supports the principles of free trade and the enhancement of the international trading system organized under the GATT.
- JAMA Canada is pleased that non-Auto Pact companies are not forced to join the Auto Pact. However, they are concerned that by losing the option of joining the Auto Pact, they are facing competitive discrimination.
- Additional concerns include:
 - that the duty-free access to the U.S. and Canadian market will not be fully available until 1998;
 - the difficulty in meeting "tougher" rules of origin that contain no phase-in provision.
- There is concern about the elimination of both duty drawback and duty remission programs, but they expect that the Canadian government will undertake favourable measures to provide relief for Japanese automakers, among others.
- Following the FTA, and in the course of the federal review of Canadian auto policy, it is hoped that external tariffs on automotive products will be at least equalized with the U.S. tariffs, or phased out completely.

LAZAR, PROFESSOR FRED
Exhibit No. 1/01/55

Main Issues

- Two key arguments in support of a bilateral free trade agreement are:
 - Improved access to the U.S. market and increased competition should spur Canadian-based companies to rationalize and achieve higher levels of productivity.
 - Improved access to the U.S. market must be protected against current and prospective U.S. protectionist measures. The protectionist measures affecting Canada include countervail and/or unfair trade statutes, dumping and/or escape clause statutes, and sideswiping.
- The FTA provides insurance against sideswiping but does not appear to offer any more insurance against dumping or countervail laws.
- The two principal failures of the FTA are:
 - It traded away two important policy levers (foreign investment reviews and dual pricing for oil and gas) that are critical in assisting Canadian companies in developing competitive advantages.
 - It gave the U.S. government unilateral authority to decide which Canadian policies would be acceptable, and at the same time imposed no constraints on what the U.S. government could do to assist U.S.-based companies in developing competitive advantage.
- As a result of these failures, long-term productivity and employment growth potential may have been diminished, and successful Canadian companies will be under increasing pressure to relocate to the U.S.
- With maintaining the status quo not an option in the presence of continuous change, the only viable alternative is continued liberalization of trade through multilateral and perhaps bilateral channels. Any such agreements must clearly spell out the government policies that are acceptable.
- Since the FTA fails to list explicitly the exempt government policies, and fails to prevent the use of dumping actions, the Canadian government should have limited the agreement to tariff reductions and some minor non-tariff measures.
- The American protectionist threat could be approached by case-by-case negotiations with the U.S., enlisting the support of other major trading partners also threatened by U.S. protectionism, and using the U.S. courts to appeal poor decisions.

Conclusion

- Government can play an important role in influencing the future course of development of the economy and trade policies should not preclude this role.

MINISTRY OF AGRICULTURE AND FOOD
Exhibit No. 1/01/73

Main Issues

- The Ministry has made assessments of the impact of the FTA on agriculture in Ontario in the following areas:
 - grain and oil seeds
 - livestock and red meat
 - dairy
 - poultry
 - fruit and vegetables
 - other commodities
 - overall agri-food impact, and
 - food processing overview
- The major areas of concern to Ontario are:
 - tariff elimination;
 - changing provincial Liquor Board practices on wine;
 - obtaining an exemption from the U.S. Meat Import Act;
 - the expansion of global import quotas for poultry and eggs; and
 - minimizing the trade distortions caused by technical regulations.
- The elimination of tariffs represents the most significant source of change, and both producers and processors will likely face increased competition from U.S. products. The most seriously affected by tariff elimination are fruit and vegetable producers, with an estimated loss in income of \$50 million per year.
- Grape growers and wineries will be seriously hurt with the farmer losing up to \$15 million per year. Adjustment policies are particularly needed in the Niagara tender fruit and grape region.
- Livestock and red meat producers and processors are expected to benefit through the elimination of tariffs, exemption from the U.S. Meat Import Act, and the reduction in trade barriers caused by technical regulations. The dispute settlement mechanism still leaves the industry open to countervail.
- The implementation of the FTA leaves several major questions, for example:
 - the workability of the snapback mechanism (timing) for fruit and vegetables;
 - producer compensation on the elimination of the two-price wheat policy; and
 - the right to put various poultry and dairy processed products on the Import Control List.
- The issue of adjustment is critical, but this has not yet been outlined. The major areas in need of adjustment are:

- fruit and vegetables, and
- grapes/wine.
- Adjustment for agriculture and food is dependent on the implementation of various safeguards. The federal government would be required to do the following:
 - ensure an effective snapback provision;
 - ensure compensation to wheat producers if the proposed two-price wheat policy is eliminated;
 - ensure that processed poultry products and ice cream and yogurt get recourse to the Import Control List for protection against damaged U.S. imports;
 - ensure the protection of Canadian quality grading regulations and high standards for plant, animal and human health are maintained in the move to reduce technical barriers to trade, and;
 - clarify adjustment assistance to protect the competitive balance.

Conclusions

- The agriculture provisions of the FTA comprise a fairly limited but negative trade package for Ontario agriculture and food industries.
- The FTA would cost the agriculture and food sector, in terms of farm income, \$95 million per year as well as losses in farm values (e.g. Niagara area).
- The fruit and vegetable producers will be hurt the most, with the grape growers the most adversely damaged. Livestock and red meat producers could benefit.

MINISTRY OF THE ATTORNEY GENERAL
Exhibit No. 1/01/10

Main Issues

- The free trade agreement involves not only jobs and economic prosperity but also social and economic policies for people and how governments deal with one another.
- The FTA is a document that could result in a constitutional change with an influence on the following:
 - all aspects of government activity (e.g., economic regulation, taxation and subsidies);
 - new constraints on governments' legislative roles, that is, the erosion of the right to govern for Canadians; and
 - federal interference in provincial jurisdiction.
- The FTA ignores federalism principles and effects major changes in provincial powers (without required consent).
- The federal government has two main claims:
 - the FTA is 97% within federal jurisdiction, with the exception of wine which is in provincial jurisdiction; and
 - the federal government claims the constitutional right to sign and implement the FTA unilaterally.
- The FTA would have the following consequences:
 - impairment of provincial powers (e.g. social and economic initiatives);
 - the power loss is at both levels of government (federal and provincial) and Canadians would be unable to ask for things prohibited in the FTA and therefore lose political choices and options.
- The provinces are a significant part of the FTA despite the assertion that it is 97% a federal matter.
 - The "extent of obligation" clause ensures provincial compliance which means that the FTA provisions apply unless specifically exempted. Provincial laws could therefore be challenged as violating the FTA.
 - Under the national treatment concept, goods, services and investments are influenced – the provinces have constitutional rights under energy and natural resources but provincial laws in these areas could be challenged (e.g. processing of a natural resource). Furthermore, problems could arise if a province reduced production thereby raising the export price.

- Services is an area of provincial responsibility (services in agriculture, forestry, mining, construction, insurance, real estate and general commercial services including some of the professions) with a major interest in consumer protection, for example non-resident business and foreign ownership. The province would have to justify the necessity of this protection under the FTA.
- Public insurance plans (e.g. health and auto insurance) have been created by provinces in the past and this tool may be needed in the future. Furthermore, the compensation to the private sector requirement under the FTA as set out in the Investment chapter could have a significant impact. Also the future federal and provincial public insurance plans could be challenged under the monopolies provision which could undermine provincial rights.
- Provincial practice to assist small business through tax breaks, grants, and other incentives could be challenged as constituting "unjustifiable discrimination."
- The FTA provides for retaliation against any provincial measures that undermine any reasonable expected benefit (e.g. provincial subsidies).
- The provinces are excluded from participating in the dispute resolution process.
- The federal government has claimed that it has the power to unilaterally implement the FTA despite any impact at the provincial level. In Canada's federal system, the federal government cannot reduce the jurisdiction of the provinces (e.g. Labour Conventions case). Provincial implementing legislation would be required.
- In matters of constitutional reform, the Supreme Court of Canada said that constitutional convention required significant provincial consent to the federal proposals, as opposed to supporting overriding federal power. In 1985, the First Ministers' Conference at Halifax affirmed the importance of joint responsibility in the management of the federation. "The federal government committed itself to ensuring respect for the respective jurisdictions of the two orders of government," and that in trade matters the government would obtain provincial support.

Conclusion

- The key finding of a legal analysis of the impact of the FTA, tabled by the Attorney General on 25 May 1988, was that the FTA will dramatically and systematically reduce the ability of all provincial governments to shape and implement social and economic policy.

MINISTRY OF CONSUMER AND COMMERCIAL RELATIONS
Exhibit No. 1/01/68

- The Ministry has serious reservations over the potential implications of the FTA on several areas which include:
 - beverage, alcohol and related industries; and
 - services sector.

Beverage, Alcohol and Related Industries

- Wine may be affected in the following ways:
 - The production of wine from Ontario grapes could decline by 20% to 45% and grapeland acreage utilization could be reduced by about 30% to 40%, which would result in a loss of both revenue and jobs.
 - The FTA would result in a market-share loss and substantial industry rationalization.
 - It is estimated that winery job losses could be between 15% and 25% (i.e. 100 to 200 jobs) and indirect job losses of 240 to 480.
- Distilled Spirits: The Agreement is expected to have a "marginally negative" impact on Ontario's distilled and spirit industry and the impact will be worse for brandies (i.e. a loss of \$4 to \$6 million on existing inventory).
- Beer: The grandfathering of existing sales and distribution practices may limit any future changes in the current beer distribution system.
- The Agreement applies to the provincial jurisdiction in the area of the internal distribution of wine and spirits.
- The Agreement prescribes administrative procedures for provincial entities.
- Ontario will not be able to benefit from the B.C. automatic listing measures for estate wineries and the provision allowing for Quebec bottled corner store distribution.
- The grandfathering of winery retail stores in existence (October 4, 1987) limits the province's ability to assist the industry through marketing advantages at winery retail stores.
- The wine and grape industry feel that the front-end loaded seven-year phase out of the mark ups is an inadequate adjustment period. (The Ministry has secured an agreement for transitional measures.)
- The Agreement does not provide secure access to U.S. markets to counter Canadian losses and the U.S. still has the trade remedy law alternative (e.g. U.S. retaliatory trade actions).

Services Sector (Consumer Protection)

- The Ministry regulates a wide range of businesses, particularly in the service sector, and it has as a primary responsibility the promotion of consumer protection. The province's ability to legislate may be restricted.
- "Differential consumer protection measures" may be seen to be unjustifiably discriminatory by the U.S. Ontario is particularly concerned given the Ministry's overhaul of legislation in this field and that the Agreement demands conformity from new legislation. Ontario could be accused of discrimination in this field in provisions such as:
 - licensing;
 - commercial presence requirements;
 - residency requirements, etc.
- At issue is whether Ontario will be able to ensure high levels of consumer protection.

MINISTRY OF CULTURE AND COMMUNICATIONS
Oral Presentation, Hansard F-7, January 20, 1988
Morning Sitting

Main Issues

- The final text of the FTA has met almost all of the concerns expressed by the Ministry on behalf of their client groups to the trade negotiators, especially the definition of culture to be exempt from the agreement.
- Residual areas of concern include:
 - retransmission payments;
 - the extent of the federal government's commitment in Canadianizing a portion of the film distribution business; and
 - postal rates for American publications.
- It is possible that in the long term the diversity of Canada's global linkages may have been reduced, and Canada's role as an international broker in the arts world may have been compromised by the FTA.
- There is some uncertainty concerning the implementation of provisions relating to the takeover of a cultural enterprise. For example, who determines fair market value? Will the government be in the position of owning publishing companies, etc.?
- Given current government involvement in financing cultural activities, the eventual definition of subsidies will have an impact on the way Canada supports its cultural activities.
- There is uncertainty about the meaning of the "notwithstanding" clause (Article 2052) and the extent of the retaliatory powers of the U.S. to any future initiatives by the federal and provincial governments.

MINISTRY OF ENERGY
Exhibit No. 1/01/28

Main Issues

- The Ministry's general concerns are as follows:
 - The energy provisions of the FTA would severely erode Canada's ability to implement an independent energy policy (e.g. independent pricing policy).
 - The FTA could bind future governments to these policies regardless of market conditions.
 - Security of energy supply is threatened by the FTA (e.g. long-term security of supply for Canadians is compromised, given the proportional access provision).
 - Access to the U.S. market is not improved except for uranium and protectionist action is still possible.
 - The impact of the Agreement on provincial electric utilities could present problems through challenges by U.S. interests.
 - The Ministry believes that Canadian access to the U.S. market is assured with or without the FTA.
- The benefits to the FTA in energy include:
 - Canada can require consultation on regulatory changes made by any level of government.
 - Quantitative restrictions by the U.S. on energy imports are prohibited in most circumstances.
 - Import restrictions on national security grounds can only be introduced on energy goods for narrowly defined defense-related reasons.
 - Canada will be exempt from a U.S. oil import levy.
 - Canada will be exempt from any U.S. restriction on the enrichment of foreign uranium.
 - Ontario imports of oil products and natural gas from the U.S. will be more secure. These current imports do make the Ontario market more competitive.
- The costs of the FTA are significant:
 - The U.S. can launch countervail actions against the import of any energy good that is alleged to be subsidized. Regulatory decisions have been harmful to Canada, and despite the requirement to consult it does not ensure the alteration of unfavourable regulatory actions.

- Canada has given up some of its options for implementing an effective price stabilization program and it is limited in the extent to which it can curtail exports. Also flexibility to finance programs would be restricted.
- The FTA would impair Canada's ability to ensure security of supply for Canadians. The importing party will have proportional access (e.g. exports could not be phased out, U.S. would have assured access in spite of NEB export licence restrictions in any shortfall, therefore energy-consuming provinces would be hurt).
- The Agreement would prohibit governments from setting, directing or interfering with pricing, but it is unclear on how this would affect government-owned monopolies.
- The FTA runs counter to certain powers the provinces exercise over natural resources and electricity (s. 92A: Constitution Act).
- Provinces can give priority to local customers in short supply situations and they have from time to time refused to issue removal permits for natural gas; however, under the FTA, the federal government must ensure observance by the provinces.
- The Ministry's brief addresses export regulation and the proportional access provision for natural gas, crude oil and oil products, electricity, uranium and coal.

Conclusion

- Under the FTA Canada appears to have given up much of its ability to conduct independent energy policy, including the ability to guarantee security of supply, in return for general assurances that energy producers will have secure access to U.S. markets. This access will probably be assured in any case given Canada's market strength in energy resources.

MINISTRY OF THE ENVIRONMENT
Exhibit No. 1/01/139

Main Issues

- The impact of the FTA on the interests and responsibilities of the Ministry of the Environment is "uncertain and ambiguous" according to the Deputy Minister, and the environmental impacts have not been identified. The federal Environment Minister has stated that the FTA excludes environmental matters.
- The Ministry has five concerns as follows:
 - Will the FTA alter the way hazardous products are evaluated in this country?
 - Does "harmonized" standard setting mean higher or lower environmental standards?
 - Will free trade affect the development and implementation of pollution regulation to protect Ontario?
 - Can an agreement cramp Canada's/Ontario's ability to pursue environmental policy through economic incentives?
 - Finally, what impact will free trade have on Ontario's conservator strategy and control over the use of natural resources?
- Firstly, the Ministry is concerned about a move toward common evaluation criteria and a resulting increase in the number of pesticides registered in Canada. This could have to be reconciled with Ontario's program to reduce the use of chemical pesticides by 50% over the next 15 years. Ontario's Pesticides Act restricts or prevents the use of undesirable or environmentally unacceptable substances. At issue is whether or not Ontario's authority is undermined.
- Secondly, the Ministry supports the adoption of the more stringent environmental policies/standards in areas where the U.S. and Canada differ. The Ministry would be concerned over compromised standards given the economic thrust of the FTA.
- Thirdly, the Ministry has expressed a concern over the possible impact of the FTA on Ontario's ability to provide an effective regulatory framework to control pollution e.g. Clean Air Programs. The economic impact of the FTA may challenge the ability of the private sector to meet pollution standards and furthermore increase the potential for Ontario businessmen to pursue reduced environmental controls similar to those of their U.S. competitors.
- Fourthly, the Ontario and federal governments have used economic incentives to attain environmental goals and there is a concern that an economic incentive could be challenged as an unfair subsidy, e.g. the publicly funded Ontario Waste Management Corporation.

- Finally, the FTA would place additional pressure on the consumption of resources at an increased rate which must be considered against the development of a new provincial conservation strategy. The Ministry's position is that economic prosperity and environmental protection are complementary.

MINISTRY OF FINANCIAL INSTITUTIONS
Oral Presentation, Hansard F-10, 21 January 1988
Afternoon Sitting

Main Issues

- Although most financial institutions are covered separately in Chapter 17, insurance services are covered by the Service, Investment and Other Provisions chapters.
- Some provisions applicable to insurance services may impact an provincial jurisdiction, for example, because of provincial responsibility for consumer protection:
 - Although some differential treatment (rather than national treatment) is permitted, these are limited to an extent no greater than necessary for prudential, judiciary, health and safety or consumer protection reasons (Article 1402).
 - Neither party may require "the establishment or commercial presence . . . as a condition for the provision of a covered service."
 - Canada and the U.S. agree to "encourage the mutual recognition of licensing and certification requirements," an area historically under provincial jurisdiction (Article 1403).
 - The Attorney General has noted that Article 2010 infringes on the provincial right to establish owned or regulated monopolies.
- The provisions of Chapter 17 on financial institutions do not apply to provincial or state laws. Therefore this chapter is directed at chartered banks in Canada, since they are strictly within federal jurisdiction.

Conclusion

- In the financial services area, much of the FTA would not apply to provincial regulators or regulations. However, it would apply and would have potentially significant impacts on provincial regulatory capacity in the area of insurance, since this is defined with other services, and not with financial institutions.

MINISTRY OF INDUSTRY, TRADE AND TECHNOLOGY
Exhibit No. 1/01/18

Main Issues and Conclusions

- The role of the provinces is important in a wide range of programs, policies and practices that could be seen to influence trade flows. Nevertheless, during the negotiations the Provinces were not fully aware of the substance of the Agreement until the release of the Elements of the Agreement and the legal text.
- Ontario's broad interests in the negotiations included the reduction of protectionist actions and therefore enhancing market access, new market opportunities and the elimination of U.S. tariffs affecting Ontario.
- The Ministry has outlined several key issues and conclusions as follows:
 - Ontario industry will be at a competitive disadvantage against increased competition from the U.S. in a free trade agreement due to the high degree of foreign ownership, low research and development and slow adoptions of technology.
 - During transition periods such as free trade, government action is most important to assist industry to adapt to change (the implementation of industrial policies and adjustment assistance for example). It is not yet known whether such programs would be available or indeed permitted under the terms of the FTA.
 - The disparity in tariff levels between the two countries and difference in industrial structures have not been adequately addressed, for example through differentiation in the tariff reduction schedule or proposals for adjustment assistance.
- The Ministry has pointed out that the bottom line issue rests with the decision-making of individual firms with regard to future investment following tariff reduction. It is suggested that these firms will be influenced by market access factors, U.S. trade remedy actions, access to U.S. government procurement, etc.
- The Ministry has several outstanding concerns with respect to the provincial role in the following: the management of provincial resources; the regulation of services (e.g. consumer protection); the future of the auto industry; federal-provincial relations and the future of provincial responsibility and accountability.
- The FTA could put additional pressure on Canada – harmonization of standards toward U.S. practices in several areas (e.g. tax policies, standards, social legislation and subsidies).
- Interprovincial trade barriers may lead to discriminatory treatment for exports of goods and services from other provinces, but not from the U.S.

MINISTRY OF LABOUR
Exhibit No. 1/01/29

Main Issues

The Ministry is concerned about six central issues to labour adjustment.

- The countervail issue
 - The legal text does not mention labour adjustment programs.
 - The general lack of attention in the FTA, e.g. absence of a subsidies code.
- Principles for the design of labour adjustment:
 - Programs to be addressed include: enhanced assistance to workers in those areas suffering the most; a series of readily available programs (e.g. relocation assistance and academic upgrading) and supportive macroeconomic policies.
- Province of Ontario programs:
 - Ministries of Labour and Skills Development could participate with the federal government in joint labour-management adjustment committees and training for displaced workers for example.
- Federal labour adjustment programs:
 - The federal government has responsibility for relocation assistance and ensuring a supply of workers, for example through programs such as CJS (Canadian Jobs Strategy).
 - Concerns with the federal program include declining spending under CJS, income support gaps such as in apprenticeships, and attempts to off-load the responsibility of displaced workers to the provinces.
- Uncertainty surrounding federal programs:
 - There is uncertainty surrounding existing federal labour adjustment programs. The acceptance of the FTA would further accelerate this concern.
 - The size of the required adjustment program is impossible to assess at this time although it is felt that a wide range of measures would be needed to address job loss and relocation.
- Labour policy flexibility:
 - The FTA would bring heightened concern over Canada/U.S. competitiveness and there would be more attention on differences in economic and social policies (Canada and U.S.).
 - Increased management pressure to relax labour market policies to protect workers (e.g. Workers' Compensation Board, health and safety and hours of work).
 - Protective labour policies contribute to long-run economic performance by improving productivity.

MINISTRY OF NATURAL RESOURCES
Exhibit No. 1/01/24

Main Issues

- The basic issues for the Ministry are that Canadian resources did not get unimpeded access and the softwood lumber tax was not cancelled.
- The FTA creates uncertainty for the forestry industry which employs 140,000 directly and indirectly. Also the impact on commercial fishing, water resources and tourism is unclear. The Ministry has further concerns in the following areas:
 - Government freedom to maintain and implement regional economic development strategies;
 - the Ministry's future ability to practise the effective management of natural resources; and
 - the proposed dispute settlement process.
- The forestry industry is vulnerable at this time as it is dependent on exports. Twenty communities rely almost totally on forestry and Ontario shipments are \$8.5 billion each year. The tax value for Ontario is \$171 million.
- Virtually all U.S. actions against Canadian exports were in the area of natural resources (e.g. minerals, fish or forest products, potash, shakes and shingles, softwood lumber), largely due to lack of competitiveness by U.S. producers.
- The major requirement from the FTA was to have unimpeded access to the U.S. and to remove the uncertainty facing resource-producing regions of Ontario.
- The Ministry is upset over the lack of a binding dispute settlement mechanism. Article 1901 is not adequate and actions can still be initiated.
- The subsidy issue is still not resolved and the political influence of resource regions is still a factor. The panel is simply a verification of whether U.S. law has been followed in U.S. cases. There is simply an additional appeal process.
- The issue, according to the Ministry is whether the law is fair and appropriate in trade with Canada and a recognition of each country's approaches to industry and regional development.
- Several major concerns to counter arguments in favour of the FTA are as follows:
 - The grandfathering of the softwood lumber deal which has damaged forestry. The FTA is not an improvement over the status quo.
 - The issue in the U.S. is regional politics and Canadians cannot ignore the details of the text. U.S. trade action is the issue and cases such as softwood lumber.

- The U.S. has viewed timber pricing and allocations policies as subsidies in the past.
- The softwood lumber tax has had serious financial consequences for Ontario, with four mills closed and 500 jobs lost.
- The Ministry foresees job losses if the Canadian dollar strengthens (exchange rate) and it is not optimistic about the five-to-seven-year negotiation to achieve a common set of rules and countervail cases including subsidies.
- Outstanding issues not yet answered include:
 - Could the FTA allow U.S. commercial fishing in Canadian waters?
 - Does the FTA limit Canada's ability to regulate the harvest of fish in Canadian waters through special fees?
 - Will the FTA influence Canada's ability to impose quantity restrictions in the diversion of water into the U.S.? This is a major sovereignty issue. The federal policy on water resources does not tolerate large-scale diversions. This issue is not addressed in the FTA.

MINISTRY OF NORTHERN DEVELOPMENT AND MINES
Exhibit No. 1/01/71

Main Issues

- The resource dependence of northern Ontario's economy is reflected in its exports (\$8 billion of metals, minerals and forest products are exported annually from northern Ontario – 50% to the U.S. with generally low tariff rates).
- The northern economy is sensitive to the price cycle of commodities and the basic restructuring in order to remain competitive internationally. The majority of northern Ontario resource production goes to the U.S. and the unimpeded access is critical. The softwood lumber case has drawn attention to the vulnerability of the region.
- The concerns of the north in the negotiations were to ensure:
 - the continued unimpeded free access for northern Ontario exports to U.S. markets;
 - protection from frivolous harassment; and
 - fair adjudication of trade disputes.
- The FTA did not satisfy Ministry concerns and left more unanswered questions, for example possible limitations on provincial initiatives. The Ministry is concerned that the FTA could negatively affect its mandate "... to foster the economic growth and diversification of northern Ontario and to improve the quality of life."
- The Ministry's concerns with the Agreement are summarized as follows:
 - The FTA is not a free trade agreement. (It is a complex legal document raising numerous trade issues resulting in an uncertain economic climate.)
 - It does not guarantee Canada free and unimpeded access to U.S. markets.
 - It does not provide Canada with a satisfactory dispute settlement mechanism.
 - It does not remove the serious precedent of unfair export tax on softwood lumber (e.g. countervail harassment issue).
 - It may raise long term implications about the relative value of the Canadian dollar (e.g. industry competitiveness).
 - It increases uncertainty about the future acceptability of provincial and federal regional economic development programming (subsidization levels and provincial initiatives, for example the Ontario Mining Act, s. 104, processing requirements and provincial-municipal programs to stabilize local economies).

MINISTRY OF SKILLS DEVELOPMENT
Exhibit Nos. 1/01/26 and 1/01/27

Main Issues

- The newly industrialized nations with relatively low labour costs are competing for markets of low and medium technology goods.
- The FTA would accelerate adjustment pressures in the economy, for example:
 - technological change is causing shifts in the patterns of employment within and across industries which is further complicated by the aging of the baby boom cohort; and
 - the average worker will change jobs five times in a lifetime.
- The adjustments of the FTA will be substantial in terms of jobs lost and gained as well as new sectoral employment patterns and skill requirements. There will be labour movement from declining industries which raises structural changes and therefore new policies will be required.
- The vulnerable parts of the economy affect low-skills groups and particularly women and older workers.
- The most worrisome sectors include:
 - fruit and vegetable processing
 - plastics fabrications
 - fibre, yarn and cloth industries
 - knitting mills
 - pulp and paper mills
 - metal stamping, pressing and coating
 - miscellaneous metal fabricating
 - miscellaneous machinery and equipment
 - railroad rolling stock
 - major appliances
 - electrical industrial equipment
 - glass and glass products, and
 - plastics and synthetic resins.
- Studies indicate that in many of these firms, women make up the majority of the workforce.
- The FTA will have serious negative implications for workers in small businesses with 50 or fewer employees.
- The Ministry can assist in training, employment policies (e.g. counselling, mobility assistance, job creation schemes, etc.) to address:
 - structural changes in the economy, and
 - new employment patterns.
- Traditionally the Ontario government has funded short-term workplace training programs and the federal government has handled long-term vocational training, income support (U.I.C.), counselling and mobility assistance. The problem today is that the federal government is not

providing the additional support for labour adjustment assistance programs. It has reduced its role since 1985; for example under the Canadian Jobs Strategy.

- Given the increasing need for adjustment programs, the Ministry has requested that the federal government:
 - restore the level of funding for adjustment programs to the 1984–85 level, taking inflation into account;
 - relax the eligibility criteria of the Canadian Jobs Strategy to allow more workers to qualify, for example within a shorter period;
 - support recent provincial initiatives such as the proposed expansion of the apprenticeship system from 40,000 to 60,000 apprentices annually; and
 - introduce a Canada training allowance which would provide income support to workers who have to be away from their jobs to undertake training or retraining in an institutional setting.
- The FTA has raised numerous issues:
 - It does not address labour adjustment assistance.
 - There is no subsidies code and countervail actions will continue.
 - Ontario's position, as expressed to the federal government during the negotiations of the agreement, was that specific provisions should be included to permit governments to maintain broadly available adjustment assistance programs, such as the Ontario Skills incentive funding. This has not been done and it verifies there is some potential for countervail action.

Conclusion

- The Advisory Council on Adjustment does not, in the Ministry's view, deal with some of the very substantive issues with regard to labour adjustment, nor solve the funding deficiencies over the past two years. The council will advise on discretionary spending and ad hoc assistance at a time when a broad-based approach is what is required.
- A comprehensive national program of adjustment assistance is needed which will flow from the following principles:
 - Programs should be broadly available and not narrowly cast. They should be flexible. It does not make economic or social sense to make the unemployed wait six months to be eligible for training or retraining programs. Positive adjustment measures are needed to enhance international competitiveness, and should be emphasized: for example, retraining for a variety of skills instead of sectoral and ad hoc assistance. Standards for the conduct of mass terminations should be permitted, and community-based measures for the hardest-hit towns of this country should be permissible, particularly in single-industry towns.

MINISTRY OF TREASURY AND ECONOMICS
Oral Presentation, Hansard F-7, January 20, 1988
Morning Sitting

Main Issues

- The Economic Outlook and Fiscal Review 1987 addresses the economic impact of tariff reductions under free trade and concludes that the overall impact in the forecast period to 1991 of the FTA is likely to be very small in relation to the prospective growth of the economy, taking into account existing tariffs and the staged phase-in program; the tariff reduction will result in some industrial dislocation (e.g. food processing); marginally lower prices for imported goods it is suggested should lower consumer prices and modestly increase real incomes; the net effects of mutual tariff reduction will be very small, but marginally positive (taking into account Canada's disadvantaged higher starting point); and the FTA is criticized for failing to achieve "secure access", the removal of the export tax on softwood lumber for example.
- The Ministry's model on the impact of tariff reduction shows extremely small positive gains and there will be job losses; also, incomes will not be more regionally balanced across Canada under free trade. The Agreement would result in quite modest gains for consumers.
- The federal government pursued free trade in part to secure access to the U.S. market and secondly to reduce political uncertainty facing potential investors in Canada; that is the federal government wanted to get some moderation in U.S. contingent protection law and special status against any new law.
- In the Ministry's model used to identify the net impact on the Province the dollar depreciated in response to the tariff cuts. The changes in the value of the dollar that may result from this Agreement may have a much more profound effect – if the dollar depreciates it makes all exports slightly cheaper and imports slightly more expensive.
- The Ministry's report entitled Canada – U.S. Free Trade: The Exchange Rate and Employment Policy considered the importance of exchange rates and it suggested that a five cent change in the exchange rate could lead to a job loss of 150,000 in Canada. As Canada exports more to the U.S. the exchange rate will appreciate.
- Studies were not carried out on the reaction of branch plants to the Agreement. The Canadian exchange rate would increase if there is increase in exports of resources for example or other commodities which could have adverse regional impacts. Within the G-7 there is not an attempt to return to fixed exchange rates, but there is an interest in stabilization of these rates.
- The Agreement cannot be assessed strictly on economic terms but should include the broader issues of sovereignty, for example.

MOTOR VEHICLE MANUFACTURERS' ASSOCIATION
represented by
FORD MOTOR COMPANY OF CANADA, LIMITED
Exhibit Nos. 1/01/81, 1/01/174

Main Issues

- Canada now has a modern, efficient automotive industry producing high-quality, high-technology components and vehicles using the latest processes and equipment, and employing a productive workforce. Canadian vehicle producers in recent years have made investments in order to respond to changing automotive conditions worldwide.
- Without the confirmation of continued two-way automotive trade which the FTA represents, it is likely that retrenchment by both countries would take place, jeopardizing investment, production and jobs.
- Members of the Motor Vehicle Manufacturers' Association believe that the FTA has not diluted the Auto Pact, and allows the Canadian industry to further advance its position. Access to the U.S. market is no longer jeopardized by arbitrary protectionist measures so that business decisions can be made on the basis of economic factors. Both traditional and new companies can compete for share in this largest market, with full participation available to competitive Canadian suppliers.
- Ford supports the Automotive Parts Manufacturers' Association position for increasing the North American value-added requirement for duty-free trade between Canada and the U.S. from 50% to 60%.
- The Canadian version of the Auto Pact is unchanged; companies electing to operate within its provisions must continue to meet the same Canadian value-added (60%) and production-to-sales ratio as at present. Meeting these criteria will entitle the company to import parts and vehicles into Canada duty free from anywhere in the world.
- The U.S. version of the Auto Pact has changed under the FTA; the requirement for duty-free access to the U.S. has changed from 50% North American content to 50% of the North American direct costs of manufacture.
- An auto company can opt out of the Auto Pact, in which case the new rule of preference would apply to goods traded in either direction between Canada and the U.S.

Conclusion

- MVMA generally supports the FTA; one member, Ford, would prefer to see the level of North American value added increased to 60%.

NATIONAL ACTION COMMITTEE ON THE STATUS OF WOMEN
Oral Presentation, Hansard F-23, February 4, 1988
Morning Sitting

Main Issues

- The FTA will adversely affect women, since it promotes the free market, a system which has never served women well. The FTA will:
 - increase women's unemployment;
 - confine women's work to an even more narrow range of occupations;
 - adversely affect women's ability to pursue better working conditions through unionization;
 - accentuate the wage gap between males and females;
 - inhibit the effective use of social policies to correct market inequalities; and
 - affect universality and access to social programs.
- Under the FTA, job losses will occur particularly in those industries where women are concentrated, such as food processing, textiles and clothing, leather products, electronic and electrical products. In Ontario, these industries employ about 75,000 women.
- As Canadian firms face competition from U.S. producers, there are fears of pressure to prevent wages from rising, or fight against improving labour legislation.
- Free trade in services is the most important concession made by Canada. With the U.S. being dominant in international trade in services, and the high degree of U.S. ownership of Canadian industry, it is likely that many services (e.g. in agriculture) will be provided by U.S. firms, or carried out at the U.S. head office (e.g. data processing).
- Some social services, such as the management of hospitals, or certain educational institutions, are covered by the FTA. There is concern that, with national treatment, U.S. firms locating in Canada and providing these services will be eligible for government subsidies and funding.
- The conditions associated with establishing a monopoly seriously constrain the ability of government in the future to put a private industry (such as auto insurance, dental insurance) into the public realm.
- With respect to countervail and antidumping regulations, the Americans will still be able to challenge Canadian social programs as unfair subsidies.
- The chapter on Institutional Provisions (binational disputes panel) extends American protectionism to the service sector within Canada.

- Consumer prices are unlikely to decrease. Having lost revenues from tariff elimination, the government will seek to impose other taxes, such as increased sales tax; in addition, recent trade liberalization on children's and men's shoes resulted in increased prices.

Conclusion

- The FTA is more than a trade deal; it will affect the ability of Canada to determine its own social and economic policies. Women have been against it because it is not in their interest to have the power of the private market essentially rule what goes on in Canada.

NATIONAL FARMERS' UNION
Exhibit No. 1/01/107

Main Issues

- Canada's support for marketing and supply management is a fundamentally different approach to agriculture than that of the U.S., with production constraints to assure price stability and regional allocation. The U.S. approach to marketing farm products is market-oriented and subject to greater industrialization and vertical integration.
- Marketing boards are not secure once tariffs are removed under the FTA. Canadian food processors have to seek the lowest cost farm products in order to remain competitive. With U.S. economies of scale, lower wages and input costs, and without tariffs, the lowest cost farm products will be from the U.S.
- The Canadian Wheat Board identifies four pressure points on the Canadian system that may be created if and when subsidies come in line and the border opens. These include: discontinuing the two-price wheat policy; shipment of grain to the U.S. market will remain politically sensitive; challenges to the Canadian Wheat Board system of issuing export licences to the U.S.; and the difficulty of reimposing import controls if subsidies in both countries revert to being unequal.
- The loss of the two-priced wheat system has hit hard at Ontario producers. The requirement of end-use certificates is discretionary on Canada's part, and heavy grain product imports can be expected, with serious implications for the future structure of the bakery, brewing and milling industries.
- Corporate methods of circumventing and subsequently forcing the reduction in prices set by Canadian marketing boards will increase dramatically following implementation of the FTA.
- Any advantage Canadian beef and pork producers may have in exporting to the U.S. is largely discretionary upon the part of the meat processing industry.
- Canada's agreement to lower health standards, for example by relaxing the blue tongue regulations on cattle imports, has serious future implications for the reputation and access of Canadian purebred cattle exports into offshore markets.

Conclusion

- The potential economic integration of the Canadian agricultural industry with that of the U.S. will lead to Canadian producers being drowned out by U.S. production. Free market pricing, combined with the loss of tariffs, import licensing, adequate health and inspection regulations, and support and/or stabilization programs, will result in a Canadian "laissez faire" agricultural policy, leading to a much contracted and industrialized fraction of current production potential.

ONTARIO CHAMBER OF COMMERCE
Exhibit No. 1/01/75

Main Issues

- The FTA would result in considerable benefits to Canada through the relaxation of rules and regulations between Canada and the U.S. It offers the following:
 - Improved access to a strong market;
 - the elimination of tariff barriers in a gradual manner to permit adjustment;
 - progress in addressing non-tariff barriers;
 - long-term stability in trade through excluding Canada from future protectionist legislation in the U.S.;
 - consumers will benefit from increased choice and cost competition;
 - enhanced economies of scale and specialization will benefit business; and
 - the dispute settlement mechanism provides a faster and less easily influenced system for trade disagreements.
- The Chamber is concerned that the current debate surrounding the FTA is detrimental to business investment and planning, most notably in Ontario which must continue to export into the U.S. market.
- The Chamber recognizes the importance of adjustment assistance as one cost to avoid the problems of increased protectionism.
- The FTA is an opportunity for companies to expand in technology and begin to export. There will by necessity be a period of substantial rationalization and restructuring of business and industry in Ontario.
- The Chamber makes the following recommendations:
 - The Government of Ontario should give industry a clear message on its position for free trade;
 - firms should be encouraged to export;
 - employee adjustment programs should be outlined;
 - public education in programs must be strengthened to ensure basic skills training and apprenticeship programs; and
 - private sector initiatives to promote business activity should be encouraged.

Conclusion

- Regardless of the future of the FTA, new initiatives are needed in the government and the private sector to help to increase exports and prepare adjustment programs in employment, as well as spending for roads, education, housing, etc.

ONTARIO COALITION FOR BETTER DAYCARE
Exhibit No. 1/01/100

Main Issues

- Although childcare is not listed as a covered service, interpretations of other portions of the FTA, such as national treatment, could make it difficult for provincial governments to deny American entrepreneurs access to public funding for childcare in Canada.
- Article 2011 could give rise to a pressure point against the development of a non-profit system.

Conclusion

- The Coalition is opposed to the FTA, because of the uncertainty of its impact on the development of a childcare system in Canada.

ONTARIO COALITION OF SENIOR CITIZENS' ORGANIZATIONS
Exhibit No. 1/01/156

Main Issues

- The seniors' main concerns are the inclusion of services in the FTA, and the threat to social programs because of the inability of the negotiators to define "unfair subsidies" prior to ratification.
- The inclusion of health care facilities management services means U.S. companies providing these services must be accorded national treatment.
- The licensing and certification section (Article 1403) may threaten the province's ability to formulate social policy in health and institutional care.
- Seniors are concerned that an important part of Canada's non-profit health care system has opened up to privatization through the FTA, and that our system of universal, non-profit, quality care will be undermined by U.S. management corporations which subscribe to a philosophy of for-profit health care.
- It is unfair to ratify an agreement which does not include a definition of "unfair subsidies", as it affects Canada's regional, environmental, social and industrial policies.
- There is no reason to believe that Canadian negotiators will have the upper hand during the next five to seven years of negotiating the rules defining unfair subsidies.
- There is the possibility that greater competition from American corporations will lead to increased pressure from companies in Canada to decrease taxes, which in turn will affect social programs and the level of benefits to employees.
- Those hardest hit by job losses will be women, minority workers in vulnerable manufacturing industries, and older workers.

Conclusion

- The FTA falls short of the requirements that it should secure access to the U.S. market and preserve Canada economic and political sovereignty.
- The OCSCO endorses any move by the Ontario government to challenge the constitutionality of the FTA on the basis that the provisions for services and investment alone encroach on a vital area of provincial responsibility.

ONTARIO ENGLISH CATHOLIC TEACHERS' ASSOCIATION
Exhibit No. 1/01/48

Main Issues

- Concerns about the economic case for the FTA include:
 - where both Canadian and U.S. branch plants are free to locate where costs are least and where they will be closer to the large U.S. market, these firms may relocate to the U.S. and export back to Canada. Such continental rationalization may render Canada a low-tech ghetto;
 - it may not be wise to enter an irrevocable trade deal to overcome a transitory problem – periodic cycles of protectionism; and
 - pressures for policy harmonization with the United States may lead to a weakening of Canadian social programs, with greatest pressure on services such as medicare, unemployment insurance and social welfare.
- The greatest threat to education comes from the pressure to conform to public policy choices in the U.S. to keep the costs of government competitive in the continental marketplace. This pressure could ultimately affect the goals, structure and operation of Canadian publicly funded school systems.
- The FTA will create greater pressure on Canada's bilingual character and beleaguered cultural industries, with serious implications for the availability of distinctively Canadian learning materials and possible erosion of bilingualism in the school system.
- For the teachers, there is concern that the FTA would increase pressure for harmonization of labour laws. Labour law in the U.S. is much less sympathetic toward collective bargaining and unions than Canadian law.
- The dislocation of employment change following the FTA may have a serious impact on the children's educational process, security of home life, etc.

Conclusion

- Serious hazards associated with the FTA include the strong possibility that the economic advantages have been overstated and adjustment problems underestimated. A wide range of social and cultural implications, arising from pressure to conform to U.S. public policy choices, have been virtually ignored.

ONTARIO FEDERATION OF AGRICULTURE
Exhibit No. 1/01/83

Main Issues

- Dispute settlement mechanism: Given that the U.S. trade remedy law is seriously flawed, the binational panel cannot significantly reduce the cost or risk of doing business in the U.S.
- Energy: Canada appears to have severely limited its options with respect to energy policy. As well as providing for proportional sharing, the FTA signs away the right to preferentially price energy products (and, the OFA believes, any products) in order to stimulate industrial development or maintain competitiveness of energy-intensive products such as agricultural commodities.
- Investment: The FTA substantially weakens Canada's ability to review and influence foreign investment in Canada. This may be of particular concern if continental rationalization of the food processing industry continues.
- There is concern that harmonization of standards and regulations should not lead to a lowering of Canadian standards. It is not clear whether harmonization includes tax, fuel and interest rate policy.
- There should be compensation to farmers for income lost from dismantling the two-price wheat system. Elimination of the program will also jeopardize the viability of many farm operations, intensify cash crop competition, and raise prices to consumers.
- The FTA raises several concerns for producers of supply managed commodities, including:
 - Tariff elimination will create competitive pressure on higher priced Canadian commodities;
 - increases in global import quotas represent a sacrificed opportunity for Canadian farmers;
 - there are fears that while Article XI of the GATT allowing import controls to complement domestic supply management is incorporated into the FTA, this Article may be compromised in the current GATT round; and
 - banning export subsidies may affect surplus removal efforts.
- Livestock: Beef producers support the FTA and pork producers, while generally supportive, are concerned that the pork countervail has not been eliminated, that the FTA does not preclude future countervailing duties being imposed, and that change in the relative value of the Canadian dollar may affect pork exports.
- Fruit and vegetables: There is some doubt as to whether the snapback provisions can be enacted fast enough to help counter the effects of tariff elimination. Also, the tender fruit food processors are multinational and may choose to move out of Canada, in which case the

fresh fruit market would be devastated by oversupply. As a result, there will be a reduction in diversity of production, and a reduced demand for agricultural land on the Niagara peninsula.

- Grape producers are severely affected by the mark-up equalization measures required under both the FTA and the recent GATT decision. The crux of the problem relates to the European subsidies that are legal under the GATT and which have been partly offset by mark-up practices of the provincial liquor control boards; these practices are considered illegal by GATT. The Ontario wine industry has not gained improved access to the U.S. wine market because of the nature of the U.S. merchandising system.

Conclusion

The Ontario Federation of Agriculture opposes the FTA because:

- national sovereignty is compromised in a number of areas without tangible benefits; and
- economic efficiency criteria are emphasized as the expense of stability, diversity and autonomy.

ONTARIO FEDERATION OF LABOUR
Exhibit No. 1/01/80

Main Issues

- The OFL opposes the FTA on the basis of the following:
 - Significant job loss in manufacturing, for example relocation to the U.S., rationalization.
 - Producers will have to reduce costs, which may lead to a reduction in Canadian standards of work, health and safety, etc.
 - The FTA would heighten Canadian dependence on the U.S.; Canada would no longer be a sovereign nation, with the loss of the ability to direct the economy (and provide social services) contrary to U.S. policies and needs.
 - The north-south orientation will lead to economic restructuring and a loss of east-west, Canadian development.
 - The FTA effects are strong and irreversible; therefore there will be new political constraints.
- The Dispute Settlement Mechanism and Security of Access
 - A binding dispute settlement mechanism was an essential requirement of the negotiations to attempt to overcome issues such as the softwood lumber case (15% export tax).
 - The proposed mechanism is binding only to the extent that both parties are required to use it. Sovereign governments cannot be forced to act.
 - The mechanism provides for a long period for the ruling and any challenge. The panel probably for the most part will be deciding on the application of U.S. law.
 - Canadian firms are intimidated by the process and could react by shifting production to the U.S.
 - The U.S. has more bargaining power and Canadian industries will have to rationalize and restructure. The only option for Canada is to abrogate the FTA.
 - The dispute mechanism needs a decision on the subsidy issue before it could be effective, taking into account the Canadian approach (e.g. economic development).
 - The FTA does not achieve security of access (restrictive practices), a binding disputes mechanism, or a subsidies code.
- The FTA is based on a philosophical shift in Canadian economic development. The Agreement moves Canada from international interdependency to a U.S. focus in isolation, with an economy in trouble.

- Government intervention is needed to direct investment in certain areas, e.g. research and development.
- The FTA undermines Canada's option for a new re-shaping of the world economy and independence to unilaterally make decisions.
- Although Canada and the U.S. will always be linked in trade, the OFL opposes bilateralism and integration.
- The OFL is concerned over:
 - absorption into the U.S. economy;
 - sovereignty implications;
 - radical restructuring of the Ontario economy rather than in a gradual way with the government as a player.
- The FTA does not recognize the important advantages in a strong relationship between government policy and private markets, between public and distinctively private interests.
- The FTA limits public policy in the following:
 - industrial strategies;
 - energy policy;
 - effective research and development programs;
 - the development of foreign markets;
 - Crown corporations (Hydro).
- The FTA prevents an effective and innovative industrial base and new efforts in world trade to sell Canadian goods.

Conclusion

- The FTA has two main bases for evaluation:
 - security of access and binding disputes settlement; and
 - the new continental framework of the FTA and the future for Canadians under this agreement.
- The OFL feels that it has not been successful in achieving these objectives.

ONTARIO FOREST INDUSTRIES ASSOCIATION
Exhibit No. 1/01/115

Main Issues

- The forest industry benefits from duty-free access on its main products (newsprint, lumber and market pulp).
- The Association is concerned with maintaining access but feels that the "ill-advised imposition of the federal export tax on softwood lumber to the U.S. represents a trade restriction." This approach has resulted in serious job losses.
- The Canada-U.S. Memorandum of Understanding is seen to be a major problem to the Association (Article 2009, Softwood Lumber).
- It is anticipated that the dispute settlement mechanism will alleviate the problem of non-tariff measures which have undermined security of access. The Association supports the tariff elimination program.
- The forest industry is hopeful that the proposed joint resolution process will settle subsidy and anti-competitive pricing issues, resulting in fair competition.

Conclusion

The Association is supportive of the FTA because of the following opinions:

- Duty free access to the U.S. for Canada newsprint, market pulp and lumber under the FTA; and
- Phased protection for linerboard, fine, specialty and sanitary tissue papers to provide the necessary adjustment period for these important value added sectors to maintain viability.

ONTARIO GRAPE GROWERS' MARKETING BOARD
Exhibit No. 1/01/112

Main Issues

- The grape growing industry is threatened by both the FTA and the GATT.
- The time frame of the FTA is a particular problem. Wine growing is a long range business; changing varieties takes seven years, and wineries have to plan their production and marketing by buying their grape supplies at least one year ahead. However, the FTA is front end loaded, with a 50% reduction in the mark-up differential within the first two years.
- Ontario grapes are of high quality. However, grape growers pay double the wages of growers in California, higher taxes to cover social programs, and higher costs for environmental protection, fuel and fertilizer. In addition, around two dozen states protect their domestic wines, and farm support payments are double the level of support given in Canada.
- Free trade gives the United States access to a network of retail outlets across Canada; there is no such reciprocity for Canadian wines.
- It is likely that almost all of the 16,000 full time and seasonal grape-growing jobs will be lost, as will the unique agricultural land on the Niagara peninsula.
- Equalizing the mark-up of wines in Ontario will not change the mark-up on American wines. The province would have to raise taxes and mark-ups on Ontario wines, so there would be no benefit to consumers.
- Canada is already the largest export market for American wines. Ontario alone takes in each year more grapes from California than its grape growers produce in Niagara and southwestern Ontario.
- The EEC provides billions of dollars in export subsidies so that, for example, each bottle of French wine entering Canada comes with a \$2 subsidy.
- The grapes in surplus supply are mainly varieties introduced for high quality table wines. The traditional grapes have no marketing problems now, but will be under stress under free trade.
- The industry needs operating loans to tide it through this year until after the harvest.
- Good land in the tender fruit area fetches \$10,000 an acre, so that it has to be used for crops giving a high return. As there are no other such crops, the value of grape acreage will fall considerably and the growers will suffer a large equity loss.

ONTARIO LUMBER MANUFACTURERS' ASSOCIATION
Exhibit No. 1/01/44

Main Issues

- The Canadian exports to the U.S. have been supported by access to suitable timber, favourable exchange rate etc. in a free trade market philosophy.
- The Ontario softwood lumber producers have suffered under the 15% export tax imposed by the federal government. This tax should have been removed in the FTA.

Conclusion

- Free trade has been the essential ingredient in the growth of the Canadian softwood lumber industry and the proposed FTA, by incorporating the softwood lumber agreement, would result in new impediments to free trade.

ONTARIO NATURAL GAS ASSOCIATION
Exhibit No. 1/01/147, 1/01/148

Main Issues

- The FTA could increase sales twofold by the mid 1990s, largely from exports.
- ONGA has three concerns:
 - The erosion of National Energy Board (NEB) regulatory powers;
 - the impact of proportional sharing of energy supplies under the FTA; and
 - inconsistencies in current federal/provincial policies.
- National Energy Board:
 - The NEB regulates natural gas exports and assures an available surplus to meet reasonably foreseeable Canadian needs. New surplus determination procedures were introduced in 1987.
 - Under the FTA the NEB's power to regulate exports would be reduced, that is the ability to ensure that Canadian needs are met before export.
 - The Association supports a market-based procedure to ensure security of supply.
 - The FTA eliminates future Canadian policies to supply domestic needs independent of export markets.
- Requirement for Proportional Reduction of Energy Supply:
 - The proportional reduction provision would have a greater impact on Canada than the U.S. given the relative size of each market (e.g. 10% Canada and 0.6% U.S.) and also the U.S. has a better transmission line system with other supplies.
- Inconsistencies in Federal/Provincial Policies:
 - The FTA conflicts with the current policy that provinces have jurisdiction to determine natural gas prices to allocate supplies within their borders.
 - The current situation is a national policy supporting market-oriented pricing and protection of security of supply through long-term contracts with federal control basically relinquished. In contrast, producing provinces retain control over price and supply of natural gas and administer surplus requirements. This conflict is exacerbated under the FTA. There is then a two-tier domestic market which protects only producing provinces.

- Federal energy policy must recognize the need for a mechanism to guarantee security of supply for all Canadians, just as producing provinces have ensured security of supply for their residents. Failure to do so will further divide regional tensions and increase barriers to inter-provincial trade.
- The FTA creates a North American market for natural gas with a risk of rapid consumption of Canadian supplies and reduction in natural gas supply security margin, in part through new U.S. long-term large volume contracts.
- Canada is required to ensure supply to the U.S. based on the three year percentage formula.
- On the basis of NEB information, the shortfalls could occur in the 1990s, resulting in discrimination against Canada.
- Future supplies and deliverability are not secure. Security of supply for Canadians was protected under the formal surplus test for new exports.
- Under the FTA, the NEB could not turn down an export application without bringing about the proportional reduction of the availability of supply.
- The FTA should not undermine the NEB (e.g. assurance of Canadian supply), or diminish the federal government's responsibility to manage Canada's energy future. Supply shortages should be shared.
- The following measures are needed:
 - NEB powers on the market-based procedure should be retained.
 - An equitable formula is needed in the FTA for sharing of energy supplies in a real or perceived shortage period.
 - National and provincial energy policies should be consistent to protect against shortages.

Conclusion

- The ONGA is not opposed to the FTA, but there is concern over security of supply and the issue of proportional access.

ONTARIO PUBLIC SERVICE EMPLOYEES' UNION
Exhibit No. 1/01/114

Main Issues

- OPSEU expressed its concerns about the negative impact of the FTA in a number of areas which include:
 - dispute settlement;
 - the Auto Pact;
 - regional development programs;
 - agriculture;
 - U.S. investment; and
 - cultural industries.
- The growing importance of the service sector in the economy would be threatened under the FTA and would be subject to U.S. terms in Chapters 14 and 16 (Services and Investment). Many of the services included in the FTA fall within or infringe on the public sector. The Agreement will therefore erode the public sector and promote privatization in numerous areas, for example health care facilities, hospitals, professional services, education etc. OPSEU is concerned about U.S. subsidies in the service sector.
- OPSEU feels that the FTA will have the following impact on the public sector:
 - compel the federal and provincial governments to imitate U.S. tax and spending policies. This means lower corporation taxes and taxes on the wealthy, higher taxes on consumers and less spending on social programs;
 - compel changes in labour legislation and in the health and safety requirements on the job, in order to conform with the lower standards prevailing in the United States. It will hamper the effort towards pay equity. It will strengthen the hostility towards unions of the federal government and of several provincial governments as well, and encourage their union busting actions;
 - compel government programs to be based on so-called commercial considerations, so as to avoid countervailing duties against Canadian exports on the ground that they are subsidized;
 - prohibit preference to local, provincial or national suppliers in government purchases of goods and services; and
 - increase contracting out and privatization, in which U.S. companies and their Canadian subsidiaries will be invited to compete with Canadian companies.

- Additional issues include:

- The "harmonization" of government policy will lead to layoffs and lower wages;
- the issue of subsidies and countervailing duties will force a review of all federal and provincial programs;
- government procurement provisions favour the U.S. under their U.S. military budget which is excluded. Clarification is required in several areas such as government procurement of services;
- contracting out and privatization provisions threaten the public service and open the services sector to the U.S. for competition with Canadian firms. Crown corporations would be included in this trend;
- national identity and cultural sovereignty would be compromised;
- the claim to increased jobs under the FTA is dependent on a growing surplus which is unlikely;
- OPSEU recognize the problems of growing protectionism in the U.S., and feel that the Canadian surplus will be reduced;
- U.S. investment has done little to increase employment and with a current account surplus more investment is not needed. The U.S. is in an economic decline and any association in a free trade contract would not benefit Canada; and
- Ontario is facing a challenge to regain its competitiveness internationally.

Conclusion

- The FTA threatens the public sector and its workers in Canada as much as it threatens the private sector.
- Canadians do not want a society in which the marketplace and the dollar are supreme and in which the overriding criterion in government policy is profit. Private enterprise decisions result in the unequal distribution of income which ignore a large part of society. The FTA philosophy runs contrary to protecting the interests of all in society. Unions should not be viewed as roadblocks to efficiency in the economy.
- Note: OPSEU prepared a background paper on free trade in 1986, "Free Trade Threatens the Public Sector", which discusses pre-FTA issues in both the public and private sectors which are largely addressed in their 1988 submission.

ONTARIO TRUCKING ASSOCIATION
Exhibit Nos. 1/01/32, 1/01/62

Main Issues

- The Motor Vehicle Transport Act came into effect in Canada on January 1, 1988, deregulating interprovincial and transborder trucking and effectively creating a free trade environment in the transborder, or federally regulated, trucking market.
- As a result of the exclusion of transportation services from the FTA, there are not a direct impact on trucking.
- There is some uncertainty as to the indirect effects of the FTA on trucking. If aggregate demand increases, as the federal government predicts, demand for trucking services should increase. However, the Government of Ontario has indicated that certain manufacturing and producing industries will be vulnerable, leading to concern about the federal government's assurances.
- The major failure of the FTA is that it did not secure or improve access to U.S. trucking markets, having failed to open the intrastate market.
- Ontario trucking companies now face a situation of unequal market access:
 - 43 of 50 U.S. states maintain a system of regulatory control over trucking, making it difficult for Ontario motor carriers to obtain operating rights in these states.
 - Passage of Ontario's Bill 88, deregulating intraprovincial trucking will allow U.S. (and other Canadian) motor carriers easy access to Ontario truck operating rights.

Conclusions

- The FTA has not directly benefitted or harmed the Ontario trucking industry.
- Deregulation of extraprovincial trucking in Canada, and proposed intraprovincial deregulation has created de facto free trade in transborder trucking.

POLYSAR LIMITED
Exhibit No. 1/01/87

Main Issues

- Rising protectionist tendencies in the U.S. are threatening market access, which is essential for an internationally trading company such as Polysar.
- Removal of chemical tariffs may have a substantial impact on profitability of future plants, including the potential reopening of a styrene plant.
- Changes made in the energy sector will lead to the removal of U.S. taxes on imported crude oil, which were higher than similar taxes on domestic oil.
- Provisions for temporary entry for professional and technical business people will benefit those travelling between the two countries on short-term assignments.
- Provisions on investment will provide Canadians wanting to invest in the U.S. with access which could have been threatened by the Omnibus Trade Bill.

Conclusion

- Polysar strongly supports the FTA, which will help protect the company's 3,000 jobs in Ontario.

RETAIL COUNCIL OF CANADA
Exhibit No. 1/01/72

Main Issues

- The Retail Council supports freer trade, and believes that the FTA:
 - will lower consumer goods prices;
 - will improve the prospects, including employment, of a large majority of Canada's primary, secondary and tertiary industries; and
 - comes close to achieving the most satisfying deal that could reasonably be expected.
- Despite the disparities in population and economic size, the FTA need not imply a loss of sovereignty on significant issues:
 - The allocation of the proceeds of trade among Canadians and between the private and public sectors has been safeguarded.
 - To the extent that the cost of social programs affects competitiveness, the exchange rate makes adjustments. For example, countries like Sweden with extensive social programs are able to compete with EFTA and EEC trading partners.
 - Despite ever-increasing interdependence of U.S. and Canadian economies, Canada has been able to improve progressively the quality of indigenous culture. A pre-requisite of encouraging culture is the security of economic surplus.
- Retailers are supportive of the FTA primarily because most producers/manufacturers have expressed support for it.
- It is unlikely that the FTA will radically affect the extent to which Canadians shop in U.S. stores.
- While the FTA will facilitate expansion of retailing concepts to the other country, the social nuances and consumer idiosyncracies make successful merchandising in the other country a challenge. Furthermore, many of the larger Canadian firms can compete successfully with the U.S., and Canadian independents should not be threatened to any greater extent than they are today.

Conclusion

- Retailers believe that both Canadian consumers and producers will be clearly advantaged by the FTA and a strong preponderance of business people in every sector of the country appears to share that view. They believe that, in aggregate, the FTA will create not destroy jobs. The Canadian economy, like that of every other country, is in a constant state of adjustment. The adjustments which will be made to exploit opportunities under the trade agreement may well be substantially less than those which would be required if Canada were to attempt to operate under the existing trade regime.

- If there is no trade agreement with the U.S., where does Canada find alternative markets for its products, which tend to cater to North American needs and tastes? Without an agreement there may also be an outflow of capital to the U.S. and other destinations.
- Canadian retailers believe they can successfully compete with whatever new entrants to their trade a U.S. agreement may encourage. They are not fearful about any mass exodus of their customers.

RUGMAN, PROFESSOR ALAN
Exhibit No. 1/01/171

Main Issues

- Ontario has a high trade dependence with the U.S., which will remain for the foreseeable future. 90% of its exports and over 80% of its imports are traded with the U.S.
- Access to the U.S. market is a vital step towards globalization of Canadian industry, before developing strategies to compete against Japan and the European Community.
- Large multinational corporations wield enormous economic and political power, especially in the triad markets of Europe, the U.S. and Japan. Secure access to one of these triad markets is essential.
- Canada has successful Canadian-owned multinationals as well as important U.S. subsidiaries. These large firms account for 70% of all bilateral trade between Canada and the U.S.; over 70% of this trade is intra-firm trade.
- These large firms believe that, with trade liberalization, they can bear the costs of adjustment, there will be few plant closures, bilateral trade and investment will increase, and the large firms will continue to prosper.
- Canada gave up little on foreign investment controls in Canada but kept the door open into the U.S. for Canadian-owned investment.
- National treatment does not mean that U.S. and Canadian regulations need to be harmonized, but rather the equivalent application of Canadian or U.S. laws to foreign and domestic laws operating in either nation. Canada can have different laws, such as tax and competition policy, and implicitly can design its own health, social and educational programs, or industrial policy.
- The binational panel can be used to offset abusive trade law procedures. It puts in place a mechanism for Canada to influence, and potentially reverse, the questionable investigative practices of the U.S. International Trade Commission and the U.S. Commerce Department.
- Ontario's interests have been well represented in the dual-track consultative process through membership in the SAGITs.

Conclusion

- The FTA recognizes the economic reality of global competition.
- Canada's social policies are exempt and sovereignty is retained.
- Canada retains the right to use many instruments of economic and social policy, including an industrial strategy using fiscal and competition policy.

RUSSELL, PROFESSOR PETER
Oral Presentation, Hansard F-3, December 10, 1987

Main Issues

- Generally, international trade and commerce is exclusively a federal responsibility. However, the trade and commerce that is going to be regulated by the FTA is trade and commerce that goes on in the provinces. Thus the regulation of wine, cars etc. is not exclusively federal or provincial.
- The necessarily incidental doctrine in Canadian constitutional law indicates that if a large piece of legislation which is under federal control is basically acceptable but marginally impinges on provincial jurisdiction, the overall legislation may override the other's jurisdiction.
- At the national level, the U.S. has treaty power overriding the state legislatures once the treaty is ratified in the Senate and becomes law.
- The province does not have influence over the international aspects of wine competition, nor over the international pricing of energy.

SAFARIAN, PROFESSOR A. EDWARD
Exhibit Nos. 1/01/53, 1/01/59

Main Issues

- Effects on direct investment and flows: Fears of substantial divestment of multinational capital are exaggerated; there may well be increased investment flows in both directions for a time for the following reasons:
 - Multinationals generally make decisions to enter new markets based on: the size and growth of the market; costs of production and distribution; nature of competition faced; and the attitude of government as expressed in fiscal and regulatory policies. Tariffs and non-tariff barriers are generally less important;
 - the FTA changes all four investment determinants, largely in ways favourable to Canada; and
 - one way to overcome competitive barriers to entry into a market, erected by existing firms when tariff protection is removed, is to acquire an existing firm, or participate in licensing or joint venture.
- If the above analysis is wrong and substantial divestment does occur, the exchange rate will adjust to the change in flows and the value of the Canadian dollar will fall, thus making Canada a better location for exports.
- Canadian government control and the FTA: Although Canada made concessions, it retains policy instruments in the form of review of larger acquisitions, competition policy, and across-the-board fiscal policies that do not discriminate on the basis of nationality of ownership.
 - Existing laws, regulations and published policies are exempted as far as national treatment is concerned.
 - Canada made more concessions in terms of review as the U.S. has no comparable process; however, in practice little has been given up in view of Canada's current and recent investment review practices.
 - As the U.S. has foregone the right to apply a review process against Canadian multinationals, the FTA may be considered as guaranteeing access to the U.S. market by Canadian multinationals, while allowing Canada to continue to review larger acquisitions by U.S.-controlled firms.
 - There has been a decrease in foreign ownership in Canada and an increase in Canadian ownership abroad including the U.S. This suggests policies are needed for a stable and non-restrictive investment environment in the home country, and to reduce the need for direct investment in the U.S. because of U.S. protectionist measures. The FTA accomplished both.
 - The restriction that Canada may not in the future review inward direct investment, nor indirect investment over \$150,000,000 (constant dollars), may require the two governments, in the face of strong calls for intervention, to find solutions that do not

discriminate on the basis of ownership. This may lead to a deeper understanding of the source of the problem, and not just focus on multinationals.

- Under the FTA the review of acquisitions is based on a reduced set of criteria, that is firms with assets in excess of \$500 million. The Competition Act 1986 further monitors the problem of monopolies and is a significant part of the argument for investment review.

Conclusion

- Fears of divestment by multinationals are exaggerated; it is likely that there will be increased investment in both directions.
- While Canada has theoretically made some concessions on investment review, in practice it retains a number of policy investments, including competition policy.

SAYWELL, DR. JOHN T.

Oral Presentation, Hansard F-4, December 17, 1987
Morning Sitting

Main Issues

- There is a high risk to the province if it challenges the federal government in court, for the following reasons:
 - There has been a strong current in Supreme Court decisions of picking up the second branch of federal trade and commerce power and elaborating on it.
 - Increased interest in the courts in the traditional national dimension.
 - It is likely that, using categorical federal power over interprovincial and international trade, legislation could be passed which would effectively control discriminatory prices at provincial liquor boards.
 - The general position of members of the court in the past has shown strong sympathy for the view that courts unnecessarily have restricted the federal government's power to manage the economy.

SHARP, THE HONOURABLE MITCHELL, P.C., Q.C.
Exhibit No. 1/01/97

Main Issues

- Trade barriers should be reduced internationally, and the GATT system is one way to pursue this philosophy.
- Misgivings about an FTA with the U.S. include:
 - Canada has made good progress without preferential treatment in the U.S. by following non-discriminatory, multilateral trading and negotiating principles;
 - negotiating out of fear for protectionism is an undesirable strategy; and
 - the U.S. may not prosper under the FTA.
- Under the proposed FTA, Canada is still vulnerable to U.S. trade laws and it has not secured access.
- The essence of the case for free trade appears to be "improved access to a bigger and more competitive market." It is reasonable to conclude that the removal of trade barriers will promote economic efficiency and result in marginal improvements in average standards of living, but this process would entail a disruption in the economy with some industries as winners, others as losers.
- In the FTA, Canada would be "eroding in a significant way its independence and identity."
- The federal government historically has been involved in helping Canadian industry, helping the less fortunate provinces, supporting the independence of the arts, the media, etc. The "continental approach" to trade would extend to culture and other areas.
- The FTA would accelerate the "Americanization of Canada."
- The Agreement would set up a trading bloc in a preferred access situation against Europe and Japan. Canada would be seen as a junior partner with the U.S.
- There would be pressure to bring laws and customs into a common approach with the U.S., for example Canadian laws should not prejudice U.S. operations in Canada and similarly there could be pressure on the Canadian social security system and to harmonize external tariffs.
- On the exchange rate, there could be U.S. pressure to justify the value of the Canadian dollar in the preferred access, FTA forum.

Conclusion

- Mr. Sharp could support the FTA if it was used as a model to the world to eliminate tariffs and also the services section of the FTA could be beneficial if generalized.
- It is felt that the FTA could lead to greater polarization and fragmentation.
- Under the GATT, free trade areas are exception to the most-favoured-nation rule. Canada's involvement runs counter to multilateralism.
- Competing trading blocs should be dismantled, the GATT should be promoted and protectionism can be held in check.
- The Agreement is only one factor and not the major one that will influence future job creation and economic growth in Canada.
- The FTA may improve the Canadian standard of living in a minor way with the high cost to independence and identity.
- Multilateralism should not be traded for continentalism.

SIMEON, PROFESSOR JAMES C.
Exhibit No. 1/01/103

Main Issues

- Canadians can take the FTA as an opportunity and challenge or try to maintain the status quo in the face of a rapidly changing dynamic world and with the growing threat of protectionist sentiment in the U.S., on whose markets we have grown too reliant.
- The Free Trade Agreement will benefit everyone, Canadians and Americans, not only in the short-term but also in the long-term. If the Agreement proves to be a disaster or simply less than expected then with six months notice it can be terminated. It is not irrevocable.
- Some fear the Free Trade Agreement will diminish Canadian sovereignty, lead to the disintegration of the country and/or Canada becoming a virtual economic satellite to the United States with the attendant loss in our culture and identity as Canadians. The Free Trade Agreement will be a significant milestone in Canadian history if ratified but it is, in the end, an economic agreement to mutually reduce tariff barriers over the next ten years in certain areas.
- The Free Trade Agreement with the U.S. is exactly what Canada is hoping to achieve on a multilateral basis at the next round of the GATT meetings. The doomsayers who predict the end of the nation and/or that the demise of our cultural identity will follow the implementation of this Agreement are either exaggerating for effect or exaggerating the possible effects of the Agreement. Moreover, they seem to ignore the fact that if the goal of reduced tariffs is achieved on a multilateral basis, then the question is asked . . . why wouldn't Canada also suffer the same damaging effects to its culture and identity? Presumably, the U.S., among other countries, will still be able to freely have access to the Canadian market.

Conclusions

- Ontario and Quebec should pursue a two-pronged trade policy to secure and maintain access to the U.S. market while at the same time diversifying Canadian exports abroad. Ontario and Canada are just too dependent on the U.S. market for their export products. The Ontario Legislature should endorse the FTA.

SOCIAL PLANNING COUNCIL OF OSHAWA-WHITBY
Exhibit No. 1/01/102

Main Issues

The following concerns have been expressed about the FTA:

- There will be pressure to harmonize our policies in social services with those in the U.S. Services which will be threatened include Canadian Assistance Plan (General Welfare Assistance, Family Benefits, etc.), UIC and medicare, disability insurance and work incentive programs. Social and economic priorities will come under pressure through privatization of many social services. There will follow a drop in wages, the replacement of full-time workers with part-time workers, the prevention of the passing of pay equity and other human rights legislation.
- The Agreement could result in job loss, including in the service sector.
- The Agreement places restrictions on provincial requirements that educational text books be printed and published in Canada and have Canadian content.
- The Agreement will reduce the power of the Canadian government to exert sanctions against U.S. takeovers of Canadian business, or to promote standards of good corporate behaviour, production for world trade or research and development.
- The binding dispute resolving agency is limited and the pact does not alter U.S. trade laws or offer Canada any exemptions.

Conclusions

- The Government of Canada should suspend these negotiations and instead expand multi-national trade.

SOCIAL PLANNING COUNCIL OF WINNIPEG
Exhibit No. 1/01/127

Main Issues

The following concerns were expressed:

- The Free Trade Agreement implicates a large number of health and welfare services.
- Services not already mentioned in the trade agreement can be the subject of further discussion and inclusion in the FTA at a later date.
- The management of many of the institutional services are to be opened to private entrepreneurial interests from south of the border.
- The principle of 'national treatment' implies that henceforth American companies can and must be accorded non-discriminatory access to the tendering process.
- The management of institutional services by American interests has implications for jobs in Canada and for the norms and values held within the human services sector.

TESTER, PROFESSOR FRANK JAMES
Exhibit No. 1/01/141

Conclusion

- Ultimately, Canadian economic social relations are tied to the environment. It is our relationship to the environment which makes possible our standard of living, which provides employment opportunities, the resources necessary to construct social programmes and the quality of life we enjoy. Free trade continues a philosophy of economic growth and development which is ultimately doomed. We cannot continue to exploit the earth's resources in a never-ending binge of growth and development and expect the planet to survive. Even the United Nations World Commission on Environment and Development, composed of some of the world's most prominent politicians, forward-looking business leaders and advisors on environmental and economic affairs, was wise enough to recognize these limits.
- Free trade promotes a form of increased resource exploitation which is desperate, short-sighted and antiquated. It promotes a market-oriented approach to the organization of Canadian society which, as the past 100 years have demonstrated, has dire consequences for the environment of Canada and the world. One can only conclude that the Canada-U.S. Free Trade Agreement, in comparison to the recommendations for just and sustainable economic development made by the United Nations World Commission on Environment and Development, is a giant leap in the dark.

**TORONTO HOME BUILDERS' ASSOCIATION
and ONTARIO HOME BUILDERS' ASSOCIATION
Exhibit No. 1/01/111**

Main Issues

- The FTA is not expected to change the competitive position of Ontario home builders:
 - Ontario home builders can compete effectively against U.S. builders/developers in both the Canadian and U.S. markets.
 - They experience few major barriers to doing business in the U.S.
- Home builders strongly believe in competitive markets and in the need to limit government regulation and intervention.
- To the extent that the FTA reduces barriers and opens up markets, the THBA/OHBA supports the pursuit of such an arrangement.
- While a net economic benefit is expected for Ontario, smaller centres in the province could be adversely affected.
- In the absence of a formal agreement, new restrictions to the U.S. market could emerge with adverse effects for Canada.
- Concern over adjustment should not take precedence over the more fundamental issue of whether there will be real long-term economic gains from the FTA.
- The increasing pace of change in the global economy will require that Canada make many of the same adjustments whether or not a free trade agreement with the U.S. takes place.
- There is support for any reduction in interprovincial trade barriers that may be initiated following a more open trading arrangement with the U.S.

Conclusion

- THBA/OHBA do not foresee a free trade arrangement with the U.S. as having considerable direct benefits or drawbacks to home builder activities. Indirect benefits of such an agreement would be positive over time.

TORONTO JEWISH CONGRESS
Exhibit No. 1/01/110

Main Issues

- The concern is expressed that Canadian social programs such as unemployment insurance, medicare, pensions and other universal entitlements, transfer payments for regional development as well as child care initiatives and pay equity legislation are at risk as a result of the Agreement. It is still not apparent if social programs will be treated as subsidies to industry.

Conclusions

- The Toronto Jewish Congress is not suggesting the suspension or abandonment of the free trade initiative. It is concerned about the implications for the social services/social welfare system.

TRUST COMPANIES ASSOCIATION OF CANADA INC.
Exhibit No. 1/01/42

Main Issues:

- Within the financial services industry, trust companies are better placed than most to take advantage of new opportunities, being well capitalized and competitive.
- Removal of existing discrimination against foreign financial institutions is not a major threat, for reasons which include:
 - Canadian commercial lending institutions have proven to be internationally competitive;
 - Canadian insurance companies compete successfully (in both countries) with the U.S.; and
 - consumer financial services requires a branch network which Canadian institutions already have in place.
- There will be opportunities opening up in the U.S. in mortgage and consumer services, personal financial planning, real estate development and construction financing. Provisions in the FTA which remove Canadian foreign ownership limits will act to facilitate access to these U.S. opportunities.
- Freer trade has virtually always resulted in net benefits to participating countries. All economic assessments find that the FTA will result in income and employment gains in every province.
- The status quo is not the alternative to no agreement.

Conclusion

- The Trust Companies Association of Canada strongly supports the FTA. They believe that evidence indicates it will benefit Canadians in all walks of life from coast-to-coast. Also, the FTA will not expose the financial services industry to competitive threats which are beyond their ability to successfully respond.

UNITED FOOD AND COMMERCIAL WORKERS' INTERNATIONAL UNION
Exhibit No. 1/01/49

Main Issues

- Food processing: fruit, vegetables and specialty food processing industry report in general the inability to compete in export markets and with imported products because of the Canadian climate, geography and government policies.
- Canadian Meat Council is cited as identifying the following concerns:
 - Labour costs in Canada are higher than in the U.S., placing Canada at a disadvantage. Free trade may result in either a labour rate adjustment or a shift from Canadian to U.S. jobs.
 - Alberta and B.C. face direct competition from nearby U.S. beef plants. With lower U.S. labour rates, Canadian cattle bypasses Canadian plants, to be slaughtered in the U.S. and the beef shipped back to Canada.
 - U.S. beef plants have excess capacity; removal of trade barriers will allow U.S. packing houses to increase sales to Canadian distributors, leaving Canadian workers to absorb the cost through job loss and plant closures.
- Poultry: lower overhead costs in southern U.S. and lower labour rates make it impossible for the Canadian poultry industry to compete with U.S. firms.
- Footwear and leather: the removal of import quotas on men's shoes in 1986 resulted in job losses as Canadian footwear manufacturers could not compete with imports. Similarly, these companies will not be able to compete under free trade, leading to loss of jobs for thousands of workers.
- Clothing: Over 100,000 Canadian (30,000 in Ontario) are employed within this industry, the majority of which do not export. Elimination of Canadian import duties may result in a shift in production to the U.S. While there may be gain in some areas, the loss of jobs to Ontario could exceed 10,000.
- Trucking: as a result of deregulation, small family-run trucking firms are selling to larger companies. There have been some job losses, and some employers have cut back safety maintenance programmes in an effort to reduce costs.
- Wine: the wine and grape industry will suffer severe losses:
 - Direct industry job loss in Canadian wineries is estimated in thousands, while indirect job loss in the supplier industry could triple the total number of Canadian jobs eliminated.
 - Grape growers are estimated to lose 10,000 to 15,000 full and part-time workers; projected job losses in the Niagara region reach 10,000.

- As a result of FTA, not only will there be large job losses, but family firms will go out of production, agricultural land will disappear, and a stable, viable community industry destroyed.
- Fishing industry: the GATT ruling will put 6,000 to 8,000 fish processing jobs in B.C. at risk, and there is concern that, with the FTA, Canada is locked into this ruling and denied the right of appeal, thus infringing Canadian sovereignty.
- Dispute settlement: the proposed panels do not provide an effective dispute settlement tribunal.
- Services: the government statement that health, education, social services and daycare are not part of the FTA is misleading because:
 - Chapter 14 specifically names the management of some services relating to these fields as being covered;
 - although childcare is not listed as a covered service, U.S. childcare firms are granted the right to invest and establish in Canada; and
 - Article 1405 provides for the future implementation of services not now covered.
- Social programs: there is concern that Canadian social programs such as unemployment insurance, health insurance, and Canada Pension Plan could be regarded as subsidies; U.S. negotiators may attempt to erode these Canadian universal social programs during the discussions defining subsidies over the next seven years.

Conclusion

- There should be a national debate during a general election to decide issues such as the kind of country Canada should be, the level of public services, standards of work and occupational health and safety, and cultural identity.

UNITED STEELWORKERS OF AMERICA (DISTRICT 6)
Exhibit No. 1/01/70

Main Issues

- The dispute settlement mechanism is not effective as it is just a substitute for judicial review of administrative decisions. Canada has accepted U.S. trade laws and not upheld the GATT appeal process. The FTA is not an open market for bringing consumer goods into Canada tax-free.
- The resource industries have generally entered the U.S. duty free and the FTA does not offer new advantages.
- The Agreement makes the Auto Pact meaningless by allowing companies duty free status whether they meet the Canadian content requirements or not. Also it restricts new negotiations on arrangements such as the Auto Pact with other countries and prevents any trade policy that links tariff reductions to performance requirements.
- The definition of subsidy will undermine traditional regional development approaches.
- Cultural policies could be undermined by the "commercially equivalent" retaliation clause.
- The FTA is more than a trade deal and it has an impact on Canada's independence in setting public policy in numerous areas such as;
 - foreign investment
 - energy
 - trade policy
 - regional and industrial development
 - agriculture
 - culture, and
 - crown corporations and monopolies.

Recommendations

- The Ontario Government should take steps to strengthen provincial policies in areas which include:
 - the requirement that Ontario resources be processed and refined in the province;
 - Ontario's agricultural marketing board structure;
 - Ontario's energy regulatory authority;
 - Ontario's government procurement practices;
 - the requirement that all additional social and health services be on a non-profit basis.

- In addition, Ontario should:
 - publish and publicize a consumer guide to the free trade deal;
 - cancel plans to deregulate the transportation industry;
 - prepare constitutional references with respect to any aspect of the agreement that impinges on provincial authority; and
 - devote significant resources to the preparation and dissemination of informational material designed to counteract the one-sided and misleading material currently being provided to Ontario residents by the Government of Canada.

THE WINE COUNCIL OF ONTARIO
Exhibit No. 1/01/98

Main Issues

- The wine industry in Ontario, with 5,000 jobs, has been in transition, responding to changing grape varieties, changing consumer tastes, changing technology, as well as overcoming social concerns, agricultural land use issues, government revenue needs, regional economic development requirements, etc. The FTA has ignored the state of development of the wine industry in Canada, its cost structures and competitive environment.
- While federal marketing boards are protected, it seems that provincial marketing boards, such as Ontario's Grape Marketing Board, are not.
- The wine industry must significantly alter sourcing, production and marketing practices in order to meet the new, forced competition. Sensible federal-provincial cooperation with transition assistance would help Ontario producers to compete successfully in this new free market.
- In order to compete, the wineries must be able to have: raw materials sourcing based on competitive prices and quality; national production regulations; aggressive marketing and selling on a national scale with product opportunities in each province no less than that guaranteed to U.S. wineries; and expansion of wine marketing through retailing and merchandising practices taken for granted in most other industries.

WONNACOTT, PROFESSOR RONALD
Exhibit No. 1/01/45

Main Issues

- Three broad effects of the FTA are:
 - it will reduce Canadian trade barriers;
 - it will reduce U.S. trade barriers; and
 - it will prevent existing trade from declining.
- Lowering Canadian trade barriers will have the following effects:
 - Canadians will have access to a greater variety of goods at a lower price.
 - Increased competition on imports will put downward pressure on manufacturing output and employment in Ontario and Quebec.
- Reducing U.S. trade barriers will encourage output and employment in all regions, but especially in Ontario because of its existing infrastructure and location.
- Avoiding some of the losses from increasing U.S. protectionism will benefit all regions, but especially Ontario with its heavy dependence on exports to the U.S.
- The problem for Ontario is that its greater benefits are tempered with an element of risk, in terms of increased competition.
- The adjustment that will take place is less than is already occurring from influences such as technological change, or exchange rate fluctuations.
- Critics of the FTA are concerned with the commitment to limit government interference in the marketplace. However, those in other provinces such as Alberta have viewed such past government policies as FIRA and the National Energy Policy as favouring Ontario at the expense of other provinces.
- If there is no agreement, the alternative may result in:
 - restoration of high U.S. tariff on petrochemicals;
 - elimination of the dispute settlement mechanism and a return to unilateral U.S. action, and the weaker and slower GATT mechanism;
 - giving up exemption from sideswiping;
 - exposing the Canadian auto industry to unilateral action by the U.S.;
 - terminating the commitment by both countries to reduce antidumping and countervail abuses over the next five to seven years; and

- leaving the Canadian economy more exposed to future changes in U.S. trade laws that would damage Canadian exports.

Conclusion

- Both sides of the debate on the FTA have overstated their positions. The FTA does not give the U.S. free access to Canadian resources, nor put Canada up for sale, since restrictions on foreign investment have been relaxed but far from eliminated. In the areas of culture and sovereignty, Canadian interests have not been jeopardized on balance.
- On the other hand, Ontario's position in criticizing the agreement has foundation, the benefits in some cases have been overstated and, although the agreement gives better access to the U.S. market, it does not give completely secure access.

ATTACHMENT 1
List of Individuals' Submissions

Submissions to the Standing Committee on Finance and Economic Affairs were received from the following individuals:

Name	Exhibit No.
N. Birch	1/01/170
P. Coll	1/01/34
William D. Dinan	1/01/130, a, b, c
Timothy C.S. Hemming	1/01/52
"	1/01/94
"	1/01/126
"	1/01/140
"	1/01/167
"	1/01/178
Keith Hyde	1/01/40
Alex J. Morris	1/01/120
David Oliver	1/01/41
Tillie Padoliak	1/01/95
Dr. A.K. Ray	1/01/36
Walter E. Rogers	1/01/35
Sylvia Simon	1/01/04
John Tremblay (Trebor Canada Ltd)	1/01/99
Margaret Zahra	1/01/119

In addition, the Ministry of Industry, Trade and Technology submitted a package of letters addressed to the Honourable Monte Kwinter, MPP, relating to the Cabinet Sub-Committee hearings on Canada-U.S. free trade, 1987. Exhibit No. 1/01/54.

ATTACHMENT 2

List of Miscellaneous Background Documents

The following is a selected list of miscellaneous documents submitted to the Standing Committee on Finance and Economic Affairs as background material. Supplementary documents accompanying briefs submitted by witnesses are generally not included; these are listed with the appropriate brief in the summary of submissions.

	<u>Exhibit No.</u>
Canada, Government. Series of Publications on the Free Trade Agreement.	
Canada, Standing Committee on Foreign Affairs. <u>Constitutional Jurisdiction Pertaining to Certain Aspects of the Free Trade Agreement</u> , 4 May 1988.	1/01/149
Canadian Import Tribunal. <u>Annual Report 1986</u> .	1/01/82
Canadian Wine Institute. Press clippings, various dates.	1/01/63
Centre for Research on Public Law and Public Policy, Osgoode Hall Law School, York University. National Conference on the Free Trade Agreement, March 17-19, 1988 (Conference Materials).	1/01/129
Consumers' Association of Canada. Press clippings, 12 January 1988.	1/01/64
L.H. Legault, Minister (Economic), Canadian Embassy, Washington, D.C. <u>Institutions and Dispute Settlement Procedures under the Canada-U.S. Free Trade Agreement</u> , 22 January 1988.	1/01/86
Legislative Research Service. <u>The Constitution Acts: Areas of Provincial Jurisdictions</u> , submitted by David Bedford, 9 December 1987.	1/01/06
_____. <u>The Free Trade Agreement: Implications for Canadian Sovereignty</u> , submitted by Ann Porter.	1/01/143
_____. <u>Past attempts to negotiate a Canada-U.S. Free Trade Agreement</u> , submitted by Ann Porter.	1/01/142
_____. <u>Omnibus Trade and Competitiveness Legislation</u> , submitted by Jennifer Wilson, May 1988.	1/01/150

National Association of Manufacturers. Testimony before the Subcommittee on Trade of the Committee on Ways and Means, U.S. House of Representatives, 26 February 1988.	1/01/125
National Governors' Association. Submission from Deidre Ellen Curley, Staff Director of U.S.-Canadian Trade, February 1988.	1/01/121
Ontario, Government. Series of publications on the Free Trade Agreement.	
Peace and Disarmament Committee, <u>Report to the Labour Council of Metropolitan Toronto</u> , April 7, 1988.	1/01/158
<u>Ploughshares Monitor</u> , March 1988.	1/01/159
Price Waterhouse. "Canada-U.S. Free Trade Agreement: How does it affect you?" <u>The Competitive Edge</u> , International Trade Memo.	1/01/39
Rugman, Alan, and Andrew Anderson. "Business and Trade Policy: The Structure of Canada's New Private Sector," <u>Canadian Journal of Administrative Sciences</u> , December 1987.	1/01/160
_____. "A Fishy Business: The Abuse of American Trade Law in the Atlantic Groundfish Case of 1985-86," <u>Canadian Public Policy</u> , June 1987.	1/01/161
Rugman, Alan. "Living with Free Trade: How Multinationals will Adjust to Trade Liberalization," <u>Business Quarterly</u> , Fall 1987.	1/01/162
_____. <u>Trade Liberalization and International Investment</u> , December 1987.	1/01/163
_____. <u>Corporate Adjustment</u> , February 1988.	1/01/164
Rugman, Alan, and Alain Verbeke. <u>Strategic Responses to Free Trade</u> , January 1988	1/01/165
United Automobile, Aerospace and Agricultural Implement Workers (UAW). Submission of summary statement by Steve Beckman, International Economist, International Union of Trade of the Committee on Ways and Means, 1 March 1988.	1/01/124
Villeneuve, Noble, MPP. Submission of the Ontario Progressive Conservative Caucus News Release, entitled "OMAF Free Trade Study Flops," 4 February 1988.	1/01/116

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